Public Joint Stock Company National Depository of Ukraine

Financial Statements and Independent Auditor's Report
for the year ended
31 December 2016

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Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Joint Stock Company National Depository of Ukraine (the "Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

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Our audit approach

Overview

Our audit was performed in respect of the single reporting unit in one country.

Key audit matters include Revenue recognition and recoverability of receivables.

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

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

Materiality

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

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

Overall materiality	UAH 647 thousand
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	Revenue is considered to be appropriate basis for materiality as it reflects volume of transactions of the Company as central depository. We chose 1%, which is consistent with quantitative materiality thresholds used for public interest entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the Key audit matter
Revenue recognition and recoverability of receivables	
The Company has recognised revenue of UAH 48.9 million in 2016, of which UAH 44.5 million relate to depository operations. As at 31 December 2016, accounts receivable for services provided comprised UAH 18.7 million, gross of the respective impairment provision of UAH 13.8 million. Revenue recognition and assessment of recoverability of accounts receivable are driven by the Company's status of central depository. The Company's revenue on depository operations is recognised in accordance with tariffs for services defined in service agreements. The majority of revenue is derived from wide range of customers, which settle within agreed terms. The invoicing procedure is based on monthly acceptance reports, which are sent by the Company to each customer and contain the details of services delivered during the period, respective service charges, and outstanding amounts payable. The transactions are unified and not complex. The Company's customer portfolio include all corporate securities issuers in the country, and many of them are experiencing financial difficulties, often from the impact of the continuing political and economic uncertainties in Ukraine. The Company applied its judgement and recognises revenue from companies with past due receivables. The receivables are initially recognised at their estimated fair value, which reflects credit risk. When objective evidence of impairment exists, the Company recognises impairment provision up to 100% for the amounts receivable from customers under the bankruptcy or liquidation process. Revenue recognition ceases after the Company receives information from Companies Registry that the customer has ceased its activities as a legal entity. Refer to Note 3 Summary of Significant Accounting Policies, Note 7 Accounts Receivable for Services Provided and Note 13 Income from Depository Operations.	Our audit approach was based on substantive testing of transactions and balances and testing of journal entries. We tested the revenue recognised to amounts invoiced to customers through the issue of acceptance reports, and to the subsequent receipt of payment from those customers. For those cases where the customers have not paid for services delivered, we ensured that the acceptance reports were sent to clients. We also checked that the amounts charged by the Company were not subsequently challenged by the customers through the review of the list of legal cases provided by management, corroborated for completeness through scanning of journal entries on legal consultancy expenses. We also ensured that the impairment provision is applied for the respective outstanding receivable balances in accordance with the policies of the Company, and with staged increase in provisioning rates depending on origination period of receivable balances, up to 100% provision for the customers under the bankruptcy or liquidation process. We found no material issues arising from our work.

Other information

Management is responsible for the other information. The other information comprises the Public Joint Stock Company National Depository of Ukraine's Annual Report (hereinafter – the Management Report), and also the Annual Information of the Issuer of Securities as required by the Regulation on Disclosure of Information by Issuers of Securities approved by the National Securities and Stock Exchange Commission's decision No.2826 dated 3 December 2013 (hereinafter – the Issuer Report), which are expected to be made available to us after the date of the auditor's report.

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

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

When we read the Management Report and the Issuer Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and apply follow up actions as applicable under the requirements of ISAs and the legislation of Ukraine.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Lyudmyla Pakhucha.

LLC AF Pricewaterhousecoopers (Audit)

LLC AF "PricewaterhouseCoopers (Audit)"

Lyudmyla Pakhucha
Partner

Kyiv, Ukraine, 10 February 2017

ЗАЯВА ПРО ВІДПОВІДАЛЬНІСТЬ КЕРІВНИЦТВА ЩОДО ПІДГОТОВКИ ТА ЗАТВЕРДЖЕННЯ ФІНАНСОВОЇ ЗВІТНОСТІ ЗА РІК, ЯКИЙ ЗАКІНЧИВСЯ 31 ГРУДНЯ 2016 РОКУ

Керівництво несе відповідальність за підготовку фінансової звітності, яка достовірно відображає фінансовий стан Публічного акціонерного товариства «Національний депозитарій України» (надалі – «Товариство») станом на кінець дня 31 грудня 2016 року, а також результати його діяльності, рух грошових коштів та зміну у капіталі за рік, який закінчився цією датою, а також за розкриття основних принципів облікової політики та іншої пояснювальної інформації, відповідно до Міжнародних стандартів фінансової звітності (надалі – «МСФЗ»).

При підготовці фінансової звітності керівництво несе відповідальність за:

- належний вибір та застосування облікової політики;
- представлення інформації, у т.ч. даних про облікову політику, у формі, що забезпечує прийнятність, достовірність, співставність та зрозумілість такої інформації;
- розкриття додаткової інформації у випадках, коли виконання вимог МСФЗ є недостатнім для розуміння користувачами звітності того впливу, який ті чи інші угоди, а також інші події чи умови здійснюють на фінансовий стан та фінансові результати діяльності Товариства;
- ствердження про дотримання вимог МСФЗ, за умови, що будь-які суттєві відхилення, якщо такі є, розкриті та роз'яснені в фінансовій звітності; та
- оцінку здатності Товариства продовжувати свою діяльність на безперервній основі.

Керівництво також несе відповідальність за:

- створення, впровадження та підтримання в Товаристві ефективної та надійної системи внутрішнього контролю;
- ведення обліку у формі, яка б дозволяла розкрити та пояснити угоди Товариства, а також надати з достатньою точністю на будь-яку дату інформацію про фінансовий стан Товариства і забезпечити відповідність фінансової звітності Товариства вимогам МСФЗ;
- ведення облікової документації у відповідності до законодавства;
- застосування обґрунтовано доступних заходів щодо збереження активів Товариства; та
- запобігання і виявлення випадків шахрайства та інших порушень.

Фінансова звітність за рік, який закінчився 31 грудня 2016 року, була затверджена керівництвом Товариства 10 лютого 2017 року.

Від імені керівництва Товариства:

Голова Правління
Міндаугас Бакас

10 лютого 2017 року

Головний бухгалтер
Олена Звольська

10 лютого 2017 року

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(in thousands of Ukrainian hryvnias)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property and equipment	5	5,796	8,192
Intangible assets	5	4,602	8,086
Deferred income tax assets	19	2,486	1,665
Other long-term financial investments		19	19
Total non-current assets		**12,903**	**17,962**
Current assets			
Cash and bank accounts including:	6	106,271	86,762
own funds	6	93,498	85,926
customer funds in settlements	6	12,773	836
Accounts receivable for services provided	7	4,881	3,987
Other assets	8	1,978	2,101
Income tax receivable		512	1,803
Inventories		55	166
Total current assets		**113,697**	**94,819**
TOTAL ASSETS		**126,600**	**112,781**
EQUITY			
Share capital	9	103,200	103,200
Accumulated deficit		(176)	(202)
Reserve capital		2,179	2,164
TOTAL EQUITY		**105,203**	**105,162**
LIABILITIES			
Current liabilities			
Accounts payable for services	10	3,236	2,482
Provisions for other liabilities and charges	11	3,496	2,538
Other liabilities including:	12	14,665	2,599
customer settlements	12	12,768	836
Total current liabilities		**21,397**	**7,619**
TOTAL LIABILITIES		**21,397**	**7,619**
TOTAL LIABILITIES AND EQUITY		**126,600**	**112,781**

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

Chief Executive Officer
Mindaugas Bakas

10 February 2017

Chief Accountant
Olena Zvolska

10 February 2017

The notes on pages 6 to 35 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands of Ukrainian hryvnias)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
REVENUE:			
Depositary operations	13	44,506	42,418
Services rendered by the Accredited Certification Authority		2,393	2,919
Assignment of international securities identification numbers		993	1,229
Activity performed as an authorised safe-keeping agency for depositary assets		613	339
General shareholder meeting facilitation services to issuers		371	759
Total revenue		**48,876**	**47,664**
EXPENSES:			
Staff costs		34,019	32,155
Operating lease and related maintenance expenses	14	9,469	9,171
Provision for impairment losses	15	4,557	7,425
Write-off of assets		123	89
Depreciation and amortisation of property, equipment and intangible assets	5	6,782	4,745
General and administrative expenses	16	9,167	10,821
Total expenses		**64,117**	**64,406**
OPERATING EXPENSES		**(15,241)**	**(16,742)**
Net gain from operations in foreign currencies	17	74	373
Finance income	18	15,632	16,796
Result from disposal of assets		250	186
Other income		32	65
PROFIT BEFORE TAX		**747**	**678**
Income tax expense	19	(470)	(364)
NET PROFIT FOR THE YEAR		**277**	**314**
EARNINGS PER SHARE			
Weighted average number of ordinary shares in issue		10,320	10,320
Earnings per share, basic and diluted (expressed in UAH)		26.84	30.46
OTHER COMPREHENSIVE INCOME (EXPENSES)		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**277**	**314**

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

Chief Executive Officer
Mindaugas Bakas

10 February 2017

Chief Accountant
Olena Zvolska

10 February 2017

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Ukrainian hryvnias)

	Notes	Share capital	Reserve capital	Retained earnings	Accumulated deficit	Total equity
1 January 2015		**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**
Net profit for the year		-	-	277	-	277
Other comprehensive income (expenses)		-	-	-	-	-
Total comprehensive income		-	-	277	-	277
Dividends declared	9, 12	-	-	(236)	-	(236)
Allocations to reserve capital	9	-	15	(15)	-	-
Deficit elimination by retained earnings	9	-	-	(10,731)	10,731	-
31 December 2016		**103,200**	**2,179**	**277**	**(453)**	**105,203**

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

Chief Executive Officer
Mindaugas Bakas

10 February 2017

Chief Accountant
Olena Zvolska

10 February 2017

The notes on pages 6 to 35 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 2016
(in thousands of Ukrainian hryvnias)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
Operating activities			
Cash proceeds from customers:			
Depositary operations		39,381	37,875
Services rendered by the Accredited Certification Authority		2,907	3,468
Assignment of international securities identification numbers		850	917
Activity performed as an authorised safe-keeping agency for depositary assets		1,095	446
General shareholder meeting facilitation services to issuers		464	892
Other inflows / (outflows)		150	38
Cash payments to suppliers		(18,428)	(17,217)
Cash payments for payroll		(33,119)	(29,700)
Interest received		15,720	15,356
Income tax paid		-	(4,025)
Other taxes and levies paid		(443)	(1,029)
Net cash flows from operating activities		**8,577**	**7,021**
Investing activities			
Placement of deposits		(84,000)	-
Proceeds from disposal of property and equipment		321	774
Purchase of property and equipment		(644)	(2,060)
Purchase of intangible assets		(433)	(508)
Net cash flows from investing activities		**(84,756)**	**(1,794)**
Financing activities			
Dividends paid to shareholders		(236)	(5,694)
Net cash flows from financing activities		**(236)**	**(5,694)**
Net decrease in cash balances		**(76,415)**	**(467)**
Effect of exchange rates changes on cash and cash equivalents		76	390
Cash and cash equivalents at the beginning of the year		84,486	84,563
Cash and cash equivalents at the end of the year	6	8,147	84,486

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	Year ended 31 December 2016	Year ended 31 December 2015
Cash inflows from customer settlements	6, 12	4,791,900	4,979,265
Cash outflows from customer settlements	6, 12	(4,779,968)	(5,000,852)

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

Chief Executive Officer
Mindaugas Bakas

Chief Accountant
Olena Zvolska

The notes on pages 6 to 35 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(in thousands of Ukrainian hryvnias)

1. GENERAL INFORMATION ON OPERATIONS IN 2016

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 accordance 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 2016, the Company performed the following activities in accordance 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

No.	Legal name of the shareholder	Identification code of the shareholder	Share in equity
1	State of Ukraine represented by State Security and Stock Exchange Commission	37956207	25,0000
2	The National Bank of Ukraine	00032106	25,0000
3	Public Joint Stock Company "State Savings Bank of Ukraine"	00032129	24,9903
4	Corporate non-state pension fund of the National Bank of Ukraine	34880663	10,9399
5	Public Joint Stock Company "State Export-Import Bank of Ukraine"	00032112	9,9903
6	Other shareholders	---	4,0795

Organisation structure of the Company

As at 31 December 2016, the Company's average number of employees comprised 110 people (31 December 2015: 118 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 13 July 2015 No 1340).

The Company is entitled to open accounts for securities settlements with foreign depository and clearing institutions in accordance with the individual licenses for currency placements on accounts with foreign financial institutions, and General Licence for currency transactions. Licenses issued by the National Bank of Ukraine which are valid as of 31 December 2016 are as follows:

- individual license for currency placements on accounts with foreign financial institutions No 2 dated 29 December 2016,
- individual license No 113 dated 27 July 2016,
- the General License for currency transactions of No 197 of 20 September 2016.

The Company is entitled to provide information technology security services based on the license No 271467, series AE, issued on 3 March 2015 with unlimited validity term, and to provide services on cryptologic security of information based on the licence No 271447, series AE, issued on 5 March 2015. Both licenses were issued by the administration of State Service for Special Communication and Information of Ukraine.

2. OPERATING ENVIRONMENT AND GOING CONCERN

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

The inflation rate in Ukraine during 2016 reduced to 12% (as compared to 43% in 2015), while GDP returned to growth of 1% (after 10% decline in 2015).

Devaluation during 2016 has been moderate. As at the date of this report the official exchange rate of Hryvnia against US dollar was UAH 27.03 per USD 1, compared to UAH 27.19 per USD 1 as at 31 December 2016 (31 December 2015: UAH 24.00 per USD 1). In 2016 the National Bank of Ukraine ("NBU") has made certain steps to ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency for mandatory sale was decreased from 75% to 65% starting from 9 June 2016 and the settlement period for export-import transactions in foreign currency was increased from 90 to 120 days starting from 28 July 2016. Also starting from 13 June 2016, the NBU allowed Ukrainian companies to pay dividends to non-residents with a limit of USD 5 million per month.

The central bank of Ukraine prolonged these restrictions several times during 2015 – 2016 and the current restrictions are effective until rescinded by the NBU (with minor exceptions, including mandatory conversion of foreign currency proceeds, which are set to expire on 16 June 2017).

The IMF continued to support the Ukrainian government under the four-year Extended Fund Facility ("EFF") Programme approved in March 2015, providing the third tranche of approximately USD 1 billion in September 2016. Further disbursements of IMF tranches depend on the continued implementation of Ukrainian government reforms, and other economic, legal and political factors.

The banking system remains fragile due to its weak level of capital, low asset quality caused by the economic situation, currency depreciation, changing regulations and other factors.

The conflict in the parts of Eastern Ukraine which started in spring 2014 has not been resolved to date. However, there was no substantial escalation of the conflict since the signing of ceasefire agreements in February 2015. The relationships between Ukraine and the Russian Federation remained strained.

On 1 January 2016, the agreement on the free trade area between Ukraine and the EU came into force. Just after that the Russian government implemented a trading embargo on many key Ukrainian export products. In response, the Ukrainian government implemented similar measures against Russian products.

The stabilisation of the political and economic situation is highly dependent on an ability of the Ukrainian Government to continue reforms. However, 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 2016 amounts to UAH 277 thousand, which is UAH 37 lower than in 2015. A decrease in the total comprehensive income for 2016 was mainly driven by an increase in the impairment loss provisions for accounts receivable from customers. An increase in cash inflows from depositary services for 2016 was driven by an increase in tariff rates to provide the basis for profitable activity.

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 2016 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.

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.

Changes in presentation of previously reported amounts

In 2016, the Company revised the approach to presentation of general and administrative expenses by categories taking into account the management accounting approach. Reclassifications influenced information presented in Note 16 and had no impact on the other items of the financial statements and disclosure of information in the respective Notes.

The IAS 1 suggests presenting a statement of financial position as of the beginning of the earliest comparative period presented ('opening statement of financial position'), when an accounting policy is applied or adjustments and changes in presentation of the financial statements are made retrospectively. The third statement of financial position as at 1 January 2015 has not been presented in these financial statements as the changes had no impact on the statement of financial position. In management's opinion, the omission of the opening statement of financial position, where the change in approaches to presentation of information does not affect any item of the statement of financial position (and that fact is disclosed), is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

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 2016	At 31 December 2015
US dollar (USD)	27.190858	24.000668
Euro (EUR)	28.422604	26.223129
Russian rouble (RUB)	0.45113	0.329310

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. 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.

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, cost or amortised cost.

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 valuation 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, current accounts 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.

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.

Provision for impairment of accounts receivable for services is assessed through staged increase in provisioning rates depending on origination period of receivable balances.

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, if any, are disclosed in the subsequent events note.

Part of the profit for the year which is used for dividend payments is defined based on the requirements of the Law of Ukraine "On management of state owned entities" in accordance with separate regulations of the Cabinet of Ministers of Ukraine.

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.

- 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).
- 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 on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).

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 2017 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.

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:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

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

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 2015	**28,562**	**8,434**	**2,851**	**840**	**40,687**	**24,745**	**65,432**
Accumulated depreciation at 1 January 2015	**(6,795)**	**(4,132)**	**(1,066)**	**(662)**	**(12,655)**	**(15,475)**	**(28,130)**
Accumulated impairment	**(21,348)**	**-**	**(2)**	**(3)**	**(21,353)**	**-**	**(21,353)**
Carrying amount at 1 January 2015	**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**

	Buildings and other properties	Furniture and equipment	Vehicles	Other non-current tangible assets	Total property and equipment	Intangible assets	Total
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**
Additions	**-**	**633**	**-**	**-**	**633**	**287**	**920**
Disposals – cost	**-**	**(21)**	**(245)**	**(4)**	**(270)**	**-**	**(270)**
assets acquired for own funds	-	(17)	(245)	(4)	(266)	-	(266)
assets acquired for budgetary funds	-	(4)	-	-	(4)	-	(4)
Disposals – accumulated depreciation	**-**	**21**	**227**	**4**	**252**	**-**	**252**
assets acquired for own funds	-	17	227	4	248	-	248
assets acquired for budgetary funds	-	4	-	-	4	-	4
Depreciation charge	**(5)**	**(2,457)**	**(348)**	**(201)**	**(3,011)**	**(3,771)**	**(6,782)**
assets acquired for own funds	(5)	(2,457)	(348)	(200)	(3,010)	(3,771)	(6,781)
assets acquired for budgetary funds	-	-	-	(1)	(1)	-	(1)
Carrying amount at 31 December 2016	**34**	**4,719**	**655**	**388**	**5,796**	**4,602**	**10,398**
Cost at 31 December 2016	**28,093**	**12,361**	**1,811**	**1,198**	**43,463**	**16,812**	**60,275**
Accumulated depreciation at 31 December 2016	**(6,383)**	**(7,642)**	**(1,154)**	**(807)**	**(15,986)**	**(12,210)**	**(28,196)**
Accumulated impairment	**(21,676)**	**-**	**(2)**	**(3)**	**(21,681)**	**-**	**(21,681)**
Carrying amount at 31 December 2016	**34**	**4,719**	**655**	**388**	**5,796**	**4,602**	**10,398**

As at 31 December 2016 and 2015 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 2016 and 2015, property, equipment and intangible assets include fully depreciated items of property and equipment and intangible assets in the amount of UAH 39,200 thousand and UAH 36,812 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 2016 and 2015.

The Company's recognised intangible assets include an internally generated intangible asset representing a database of security identification number registers carried at UAH 3,021 thousand and UAH 4,531 thousand at 31 December 2016 and 2015, respectively.

6. CASH AND BANK ACCOUNTS

Cash and bank accounts comprise the following:

	31 December 2016	31 December 2015
Accounts with Ukrainian banks, including:	**7,886**	**1,598**
in UAH	7,655	1,121
in USD	121	347
in EUR	94	126
in RUB	17	4
Accounts with depositary and other stock market infrastructure institutions, including:	**13,033**	**1,224**
international depositary institutions	260	277
in USD	144	170
in EUR	112	103
in RUB	4	4
domestic stock market infrastructure institutions	12,773	947
in UAH	12,740	945
in USD	33	2
Term deposits with Ukrainian banks	**85,351**	**83,940**
Total cash and bank accounts	**106,271**	**86,762**
Own funds, including:	**93,498**	**85,926**
in UAH	93,006	85,173
in USD	265	516
in EUR	206	229
in RUB	21	8
Customer funds in settlements, including:	**12,773**	**836**
in UAH	12,740	833
in USD	33	3
Total cash and bank accounts	**106,271**	**86,762**

Term deposits totalling UAH 85,351 thousand have maturities of less than six months as at 31 December 2016. Term deposits totalling UAH 83,940 thousand have maturities of less than three months as at 31 December 2015. All deposits are denominated in UAH and placed with Ukrainian state-owned banks. The interest rates as at 31 December 2016 range between 18% and 19%, depending on the deposit amount (2015: 18.5%).

All bank accounts except term deposits represent current accounts. As at 31 December 2016, current accounts with Ukrainian state-owned banks represented 100% of current accounts deposits with banks (2015: 98%).

Interest rates on current accounts range between 0% and 2% (2015: 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, term deposits with original maturities of more than three months and accrued interest on deposits:

	31 December 2016	31 December 2015
Total cash and bank accounts	106,271	86,762
Less: Term deposits with original maturities of more than three months	84,000	-
Less: Accrued interest on deposits	1,351	1,440
Less: Customer funds in settlements	12,773	836
Cash and cash equivalents for the purpose of cash flow statement	**8,147**	**84,486**

7. ACCOUNTS RECEIVABLE FOR SERVICES PROVIDED

Accounts receivable for services provided comprise the following:

	31 December 2016	31 December 2015
Accounts receivable for services provided:		
Accounts receivable from depositary operations:		
services to custodians and depositary institutions:	1,380	1,034
services to issuers:	17,232	12,144
services to correspondent depositories, including:	6	3
in RUB	6	3
Accounts receivable for services rendered by the Accredited Certification Authority	16	52
Accounts receivable for assignment of international securities identification numbers	59	4
Accounts receivable for general shareholder meeting facilitation services to issuers	-	5
Total accounts receivable for services provided before impairment	**18,693**	**13,242**
Less impairment loss provision	(13,812)	(9,255)
Total accounts receivable for services provided	**4,881**	**3,987**

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 2016 and 2015 is presented below. Impaired receivables include balances from counterparties mainly operating in areas not controlled by Ukrainian Government totalling UAH 339 thousand as at 31 December 2016 (2015: UAH 110 thousand). Impairment provision in the amount of UAH 339 thousand (2015: UAH 110 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 2016 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	586	-	-	-	586
- issuers	1,358	-	59	-	1,417
- correspondent depositories	5	-	-	-	5
Total neither past due nor impaired	**1,949**	**-**	**59**	**-**	**2,008**
Past due but not impaired:					
- less than 30 days overdue	728	-	-	-	728
- 31 to 60 days overdue	572	-	-	-	572
Total past due but not impaired	**1,300**	**-**	**-**	**-**	**1,300**
Impaired accounts receivable	**15,369**	**16**	**-**	**-**	**15,385**
Total accounts receivable for services provided before impairment	**18,618**	**16**	**59**	**-**	**18,693**
Less impairment loss provision	(13,796)	(16)	-	-	(13,812)
Total accounts receivable for services provided	**4,822**	**-**	**59**	**-**	**4,881**

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**

8. OTHER ASSETS

Other assets are presented as follows:

	31 December 2016	31 December 2015
Other financial assets:		
Accounts receivable from employees	10	30
Total other financial assets	**10**	**30**
Other non-financial assets:		
Deferred expenses	15	177
Taxes recoverable and prepaid, other than income tax	417	687
Other advances and prepayments, including:	1,536	1,207
operating leases prepaid	575	575
Total other non-financial assets	**1,968**	**2,071**
Total other assets	**1,978**	**2,101**

Accounts receivable from employees are UAH-denominated and neither past due nor impaired as at

31 December 2016 and 2015.

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 2016	31 December 2015
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 2016 and 2015 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 2016, the reserve capital totalled UAH 2,179 thousand (2015: UAH 2,164 thousand).

Starting from October 2014 and during 2015 – 2016, 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 by 12 October 2014.

Based on the decision of extraordinary shareholders' meeting No 2 dated on 31 May 2016, retained earnings in the amount of UAH 10,731 thousand were distributed to cover accumulated deficit.

Based on the Law of Ukraine "On management of state owned entities", part of the profit for the year which should be used for dividend payments as a result of the reporting year by the entities with shares owned by the State of Ukraine is defined at level not less than 30% of the net profit. Special requirements can be established by the respective resolutions of the Cabinet of Ministers of Ukraine for each reporting year.

In accordance with the Resolution of the Cabinet of Ministers of Ukraine No 228 dated 23 March 2016, the basic norm ratio for profit distribution to dividends' payment for the entities with shares owned by the State of Ukraine comprised 75% of net profit for the year ended 31 December 2015 (2015: 50% of net profit for the year ended 31 December 2014). The Company's dividend payments comprised UAH 236 thousand in 2016 (2015: UAH 5,694 thousand).

10. ACCOUNTS PAYABLE FOR SERVICES

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

	31 December 2016	31 December 2015
Accounts payable for services:		
Accounts payable for depositary operations:		
services to custodians and depositary institutions	7	49
services to issuers	2,505	2,186
Accounts payable for custodian services	490	82
Accounts payable for services rendered by the Accredited Certification Authority	7	6
Accounts payable for assignment of international securities identification numbers	44	137
Accounts payable for general shareholder meeting facilitation services to issuers	183	22
Total accounts payable for services	**3,236**	**2,482**

11. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions for other liabilities and charges represent the provision for unused vacations of UAH 3,792 thousand (2015: UAH 2,538 thousand).

12. OTHER LIABILITIES

Other liabilities are presented as follows:

	31 December 2016	31 December 2015
Other financial liabilities:		
Liabilities for customer settlements	12,768	836
Total other financial liabilities	**12,768**	**836**
Other non-financial liabilities:		
Salaries payable	908	944
Taxes payable other than on income	449	499
Dividends payable	217	217
Other	323	103
Total other non-financial liabilities	**1,897**	**1,763**
Total other liabilities	**14,665**	**2,599**

Liabilities for customer settlements are presented by currency as follows:

	31 December 2016	31 December 2015
Liabilities for customer settlements, including:		
in UAH	12,735	834
in USD	33	2
Total liabilities for customer settlements	**12,768**	**836**

Liabilities for customer settlements are payable on customer instructions and have maturities of less than one month as at 31 December 2016 and 2015.

13. INCOME FROM DEPOSITARY OPERATIONS

Income from depositary operations is presented as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Depositary operations:		
services to custodians and depositary institutions:		
record-keeping transactions	2,536	2,769
administrative transactions	210	263
international transactions	553	741
settlement transactions	310	278
payment centre transactions	6	6
other transactions	1,485	1,504
services to issuers:		
record-keeping transactions	29,534	27,771
information transactions	7,999	7,664
settlement transactions	323	598
other transactions	1,516	795
services to correspondent depositories	34	29
Total income from depositary operations	**44,506**	**42,418**

14. OPERATING LEASE

During 2016, the Company's operating lease expenses and related maintenance expenses totalled UAH 9,469 thousand (2015: UAH 9,171 thousand), of which maintenance expenses totaled UAH 1,545 thousand (2015: UAH 1,416 thousand). In December 2016, the Company reduced the total area leased for its premises, and the amount of lease payments will decrease significantly under the new agreement starting from January 2017. Future operating lease payments are disclosed in Note 20.

15. PROVISION FOR IMPAIRMENT LOSSES

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

	Accounts receivable for services provided	Total
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**
Charge to provision	4,557	**4,557**
31 December 2016	**13,812**	**13,811**

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	Year ended 31 December 2016	Year ended 31 December 2015
Taxes other than on income	2,913	2,944
Professional services	888	173
Data processing and IT support	822	1,081
Household expenses	766	939
Postal costs and cost of periodicals purchased	764	1,095
Consultancy services	677	398
Utility costs	611	830
Bank fees	414	406
Hospitality expenses	317	181
Professional membership fees	229	173
Insurance	161	147
Communication services	154	175
Security expenses	126	86
Office supplies	122	273
Current repairs and maintenance of property and equipment	96	1,593
Travel expenses	57	233
Fines and penalties	48	1
Other expenses	2	7
Advertising expenses	-	84
Total general and administrative expenses	**9,167**	**10,821**

17. NET GAIN FROM OPERATIONS IN FOREIGN CURRENCIES

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

	Year ended 31 December 2016	Year ended 31 December 2015
Trading transactions, net	(1)	4
Foreign exchange differences, net	75	369
Total net gain from operations in foreign currencies	**74**	**373**

18. FINANCE INCOME

Net finance income for the period is presented as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income		
Interest income on financial assets carried at amortised cost:		
- interest income on unimpaired assets	15,632	16,796
Total interest income	**15,632**	**16,796**
Interest income on financial assets:		
Interest income on term deposits with banks	15,591	16,531
Interest income on current accounts with banks	41	265
Total interest income	**15,632**	**16,796**

19. INCOME TAX

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

	31 December 2016	31 December 2015
Current income tax expense	1,291	2,029
Deferred income tax (benefit)/expense	(820)	(1,665)
Income tax expense for the year	**470**	**364**

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 2016 and 2015 mainly arise due to different income and expense recognition policies and different carrying amounts of some assets.

Temporary differences as at 31 December 2016 relate to provisions for impairment of accounts receivable for services provided of UAH 13,795 thousand.

Under the Tax Code of Ukraine, the income tax rate applicable to the Company's 2015 and 2016 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 2016 and 2015 is given below:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before tax	**747**	**678**
Income tax at the statutory tax rate	134	122
Tax effect of other permanent differences	336	242
Income tax expense	**470**	**364**
Current income tax expense	1,290	2,029
Deferred income tax (benefit)/expense	(820)	(1,665)
Income tax expense	**470**	**364**

20. CONTINGENCIES AND COMMITMENTS

Operating lease commitments

In December 2016, the Company signed new operating lease agreement which can be terminated in case of notification not later than by six months before the date of termination. The total amount of six months' operating lease payments comprises UAH 3,412 thousand.

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.

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 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 2016 are as follows:

		31 December 2016			
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and bank accounts including:					
own funds	93,498	8,153	85,345	-	93,498
customer funds in settlements	12,773	12,773	-	-	12,773
Accounts receivable for services provided	4,881	-	-	4,881	4,881
Other financial assets	10	-	-	10	10
Total financial assets	**111,162**	**20,921**	**85,350**	**4,891**	**111,162**
Financial liabilities					
Accounts payable for services	3,236	-	-	3,236	3,236
Other liabilities including:					
customer settlements	12,768	12,768	-	-	12,768
Total financial liabilities	**16,004**	**12,768**	**-**	**3,236**	**16,004**

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 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 2016 and 31 December 2015, 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 2016 and 31 December 2015 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 6 months during 2016 and less than 3 months in 2015. The interest rates ranged between 18% and 19%, depending on the deposit amount as at 31 December 2016 (2015: 18.5%). Change in interest rate on term deposits in future may have a material impact on finance income of the Company.

(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 2016, 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 01/10/2016 (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 2015, 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 2016 and 2015, 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 2016 and 2015, and related income and expense items for 2016 and 2015, were as follows:

	31 December 2016		31 December 2015	
	Significant shareholders of the Company	Key management personnel	Significant shareholders of the Company	Key management personnel
Cash and cash equivalents				
- accounts with Ukrainian banks:	3,109	-	558	-
- term deposits with Ukrainian banks	-	-	83,940	-
Accounts receivable for services provided	12	-	13	-
Other liabilities	-	72	-	95

	2016		2015	
	Significant shareholders of the Company	Key management personnel	Significant shareholders of the Company	Key management personnel
Interest income	1,386	-	16,545	-
Fee and commission expenses	(46)	-	(11)	-
Operating expenses	(7)	-	-	-
Income from depositary operations	207	-	230	-
Income from services of the Accredited Certification Authority	4	-	-	-

During 2016, total compensation and other benefits of key management personnel comprised UAH 5,731 thousand (including the unified social contribution of UAH 322 thousand) (2015: UAH 3,354 thousand (including the unified social contribution of UAH 448 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 2016, and related income and expense items for 2016 were as follows:

Entity	Industry	Cash and bank accounts	Accounts receivable for services	Accounts payable for services	Fee and com-mission expen-ses	Operati ng expen-ses	Income from depositary operations	Income from services of the Accredited Certification Authority	Interest income
Company 1	Financial services (banks)	4,778	6	2	11	7	77	5	11
Company 2	Financial services (banks)	5	1	17	45	156	21	-	-
Company 3	Financial services (banks)	85,348	-	-	-	-	139	-	14,246

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 bank accounts	Accounts receivable for services	Accounts payable for services	Fee and com-mission expen-ses	Operati ng expen-ses	Income from depositary operations	Income from services of the Accredited Certification Authority	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