

Appendix 2  
to the National Regulation (Standard of the National Accounting  
Regulation)

1 "General Financial Reporting Requirements"

Enterprise JSC «ROADS OF UKRAINE»  
Territory 03150, Kyiv, Antonovycha str, 51  
The legal form of management Join-ctock company  
Type of economic Activities of Head Offices  
The average number of 18584  
Adress 03150, Kyiv, Antonovycha str, 51  
Unit of measurement: thousand UAH. without decimal point  
Done (tick "v" in the appropriate box):  
by accounting provisions (standards)  
by International Financial Reporting Standards

Date (year, month, number)  
by EDRPOU  
by KOATUU  
by KOPFG  
by KVED

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**Consolidated Balance Sheet (Statement of Financial Position)**  
**as of December 31, 2018.**

Form N 1-к

Code by DKUD

1801007

Assets	Line code	At the beginning of the reporting period before the adjustment	At the beginning of the reporting period after the adjustment	At the end of the reporting period
1	2	3	3	4
<b>I. Non-current assets</b>				
Intangible assets	1000	2903926	3007263	3203377
initial value	1001			
accumulated depreciation	1002			
Incomplete capital investment	1005			
Fixed assets	1010	1141257	1402098	1441544
initial value	1011			
wear and tear	1012			
Investment real estate	1015			
The initial cost of investment property	1016			
Demolition of investment real estate	1017			
long-term biological assets	1020			
Long-term financial investments wich are accounted for using the equity of other entities	1030			
other financial investments	1035	99221	99702	99546
Long-term receivables	1040	2576	4350	2906
Deferred tax assets	1045		69021	80137
Goodwill on consolidation	1055			
Other non-current assets	1090	67703	3710	219925
<b>Total Section I</b>	<b>1095</b>	<b>4214683</b>	<b>4586144</b>	<b>5047435</b>
<b>II. Current assets</b>				
Stocks	1100	489612	476120	498232
Inventories	1101	476035	458129	480334
Unfinished production	1102	355	4913	2713
Final product	1103	12406	12285	14394
Goods	1104	816	793	791
Current biological assets	1110	18	118	155
Promissory notes received	1120			
Account receivable for product, goods, works and services	1125	529116	517968	555643
Account receivable: on advances issued	1130	61883	59470	60837
with a budget	1135	11435	10089	45877
including income tax	1136	5419	3413	2912

Account receivable from internal payments	1145	14282	104	
Other current receivables	1155	13904	20784	28085
Current financial investments	1160			
Money and their equivalents	1165	97212	97211	200768
Expenses of future periods	1170	7527	5010	5068
Other current assets	1190	63246	46103	34356
<b>Total section II</b>	<b>1195</b>	<b>1288235</b>	<b>1232977</b>	<b>1429021</b>
<b>III. Non-current assets held for sale and disposal groups</b>	<b>1200</b>	<b>80402</b>	<b>17574</b>	<b>10212</b>
<b>Balance</b>	<b>1300</b>	<b>5583320</b>	<b>5836695</b>	<b>6486668</b>

Liability	Код рядка	На початок звітнього періоду	На початок звітнього періоду	На кінець звітнього періоду
1	2	3	3	4
<b>I. Equity</b>				
Registered capital	1400	1266141	1266141	1266141
Capital in revaluation	1405			
Additional capital	1410	3325618	3426633	3596579
Reserve capital	1415			
Retained earnings (uncovered loss)	1420	-990171	-1264534	-1544583
Unpaid capital	1425	( )	( )	( )
Capital withdrew	1430	( )	( )	( )
Uncontrolled share	1490			
<b>Total in section I</b>	<b>1495</b>	<b>3601588</b>	<b>3428240</b>	<b>3318137</b>
<b>II. Long-term commitment and collateral</b>				
Deffered tax liabilities	1500	8510	17893	5275
Long-term bank credits	1510			
Other long-term liabilities	1515	71309	64498	48953
Long-term security	1520		388833	470573
Target financing	1525			309960
<b>Total in section II</b>	<b>1595</b>	<b>79819</b>	<b>471224</b>	<b>834761</b>
<b>III. Current commitments and collateral</b>				
Short-term bank credits	1600	61706	61706	56272
Promissory notes issued	1605			
Current accounts payable for:				
long-term liabilities	1610	9180	13689	6034
goods, works, services	1615	915148	913464	1058168
budget calculations	1620	393019	406407	559147
including income tax	1621	4672	7650	6975
insurance calculations	1625	47813	51165	64917
payroll calculations	1630	120879	120903	150687
Current accounts payable on advances received	1635	57392	57878	56920
Current accounts payable from internal payments	1645	1099	2892	2117
Current security	1660	156001	157275	174938
Deferred income	1665	50	50	33
Other current commitments	1690	139626	151802	204537
<b>Total Section III</b>	<b>1695</b>	<b>1901913</b>	<b>1937231</b>	<b>2333770</b>
<b>IV. Liabilities related to non-current assets, held for sale and disposal groups</b>	<b>1700</b>			
<b>Balance</b>	<b>1900</b>	<b>5583320</b>	<b>5836695</b>	<b>6486668</b>

Head

Kosynskiy R.V.

Head accountant

Bilokon N.M.

<sup>1</sup> It is determined in the order established by the Central Authority executive power implementing state policy in the field of statistics.

Enterprise

**Joint-Stock Company "ROADS OF UKRAINE"**

(name)

Date (year, month, number)

by EDRPOU

Codes

31899285

## Consolidated Income Statement (Income Statement) for 2018

Form N 2-к Code by DKUD

1801008

### I. Financial result

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Net income from sales of products (goods, works, services)	2000	6569912	5328732
Cost of sales (goods, works, services)	2050	(6494253)	(5185348)
<b>Gross:</b>			
profit	2090	75659	143384
loss	2095	-	-
Other operating income	2120	167628	274427
Administrative expenses	2130	(214894)	(173611)
Selling expenses	2150	(7721)	(6620)
Other operating expenses	2180	(360758)	(309801)
<b>Financial result from operating activities:</b>			
profit	2190	-	
loss	2195	340086	72221
Income from participation in capital	2200	-	
Other financial income	2220	48	25
Other income	2240	10542	1637
Financial expenses	2250	(2954)	(1294)
Losses from participation in capital	2255	( - )	( - )
Other expenses	2270	( 1374 )	( 229 )
<b>Financial result before tax:</b>			
profit	2290		
loss	2295	333824	72082
Income tax expenses (income)	2300	(19125)	9948
Profit (loss) from discontinued operations after tax	2305	-	-
<b>Net financial result:</b>			
income	2350		
loss	2355	314699	82030

## II. COMPREHENSIVE INCOME

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Revaluation (revaluation) of fixed assets	2400		
Revaluation of financial instruments	2405		
Accrued exchange differences	2410		
Share of other combined income of associates and joint ventures	2415		
Other comprehensive income	2445	201017	
<b>Other comprehensive income before tax</b>	<b>2450</b>	201017	
Income tax related to other comprehensive income	2455		
<b>Other comprehensive income after tax</b>	<b>2460</b>	201017	
<b>Total income (sum of lines 2350, 2355 and 2460)</b>	<b>2465</b>	-113682	-82030

## III. ELEMENTS OF OPERATING EXPENSES

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
Material costs	2500	4545311	3465686
Salary expenses	2505	1566243	1341520
Deductions for social events	2510	341391	294829
Amortization	2515	115081	109886
Other operating expenses	2520	408695	274621
<b>Together</b>	<b>2550</b>	6976721	5486542

## IV. CALCULATION OF SHARES INCOME INDICATORS

Article	Line code	For the reporting period	For the same period of the previous year
1	2	3	4
The average annual number of ordinary shares	2600	1272887	1272887
The adjusted average annual number of ordinary shares	2605	1272887	1272887
Net profit (loss) per one ordinary share	2610	-0,24723	-0,06444
Adjusted net income (loss) per common share	2615	-0,24723	-0,06444
Dividends per one common share	2650	-	-

Head

**Kosynskiy R.V.**

Head accountant

**Bilokon N.M.**

Enterprise

Joint-Stock Company "ROADS OF UKRAINE"

(name)

Date (year, month, number)

by EDRPOU

Codes

31899285

## Consolidated statement of cash flows (direct method)

for 2018

Form N 3-к Code by DKUD

1801009

Article	Code line	For the reporting period	For the same period of previous year
1	2	3	4
<b>I. Cash flow from operating activities</b>			
Revenues from::		6715969	5742607
Sales of products (goods, works, services)	3000		
Refund of taxes and fees	3005	474	668
including value-added tax	3006		
Targeted financing	3010	389291	12369
Advance payments from buyers and customers	3015	705485	193783
Operating lease income	3040	25673	17511
Other receipts	3095	105355	187255
Spending on payment:			
Goods (works, services)	3100	(5230024)	(3921702)
Work	3105	(1307002)	(1118280)
Deductions for social events	3110	(339050)	(228318)
Tax and levy obligations	3115	(661285)	(610497)
Spending on advances	3135	(63061)	(47934)
Other expenditures	3190	(145599)	(109894)
<b>Net cash flow from operating activities</b>	<b>3195</b>	196226	57568
<b>II. Cash flow in investment activities</b>			
Proceeds from sale of:			
financial investment	3200		
non-current assets	3205		47
Revenues received:		28	25
percent	3215		
dividends	3220		
Proceeds from derivatives	3225		
Other income	3250		
Expenditure on the acquisition:			
financial investment	3255		
non-current assets	3260	(-85223)	(56250)
Payments on derivatives	3270		
Other payments	3290		(38)
<b>Net cash flow from investing activities</b>	<b>3295</b>	-85195	-56216
<b>III. Movement of funds as a result of financial activities</b>			
Revenues from:			
Equity	3300		
Obtaining loans	3305		9651
Other receipts	3340	1408	1889
Spending on:			
Redemption of own shares	3345		
Repayment of loans	3350	(5434)	(5617)
Payment of dividends	3355		
Spending on interest	3360	(731)	(923)
Other payments	3390	(2717)	(3588)

1	2		3
Net cash flow from financial activities	3395	-7474	1412
Net cash flow for the reporting period	3400	103557	2764
Balance at the beginning of the year	3405	97211	94447
The effect of changes in exchange rates on the balance of	3410		
Balance at year-end	3415	200768	97211

Head

Kosynskiy R.V.

Head accountant

Bilokon N.M.

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1	2	3	4	5	6	7	8	9	10	11	12
Removal of a share in equity	4275										
The decrease in the nominal value of the shares	4280										
Other changes in equity	4290			-31071		34650			3579		3579
Together with changes in capital	4295			169946		-280049			-110103		-110103
Balance at the end of the year	4300	1266141		3596579		-1544583			3318137		3318137

Head

Kosynskiy R.V.

Head accountant

Bilokon N.M.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended December 31, 2018

### **Section 1. General information about the parent company and the structure of the Group**

1.1. Full name of parent company: JOINT STOCK COMPANY “ROADS OF UKRAINE”

1.2. Location of parent company: 51Antonovicha Str., Kyiv, 03680.

1.3. EDRPOU code: 31899285

1.4. State registration: series A01 № 372491, date of registration - 18.03.2002.

1.5. Management information.

The management of JSC «THE ROADS OF UKRAINE» (hereinafter - the Company) is carried out by:

- the supreme body of the Company, whose powers are vested in the founder - the State Agency of Highways of Ukraine;
- Supervisory Board, which protects the rights of the Company's shareholder and within the competence regulates and controls the activities of the Board;
- Management Board, which performs the function of operational management of the Company's current activities;
- Audit committee, which controls the financial and economic activities of the Company.

Parent Company - JSC «THE ROADS OF UKRAINE»

1.6. Subsidiaries (hereinafter referred to as the Group companies) included to the Company in the purpose of consolidating the financial statements:

<b>№ з/п</b>	<b>Identification n code</b>	<b>Name of the legal entity</b>	<b>Location of the legal entity</b>
1.	31829422	Krymavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	95028, Simferopol, kechkemetska str, 184/1
2.	32054743	Vinnitsa oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	21100, Vinnytsya, 40-Peremohy str, 27
3.	32035139	Lutsk oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	43001, Lutsk, Kovel'ska str, 41
4.	31950828	Dnipropetrovsk oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	49600, Dnipro, Lenina str, 24
5.	32001618	Donnetsk oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	83055, Donetsk region., Pokrovsk, Dnipropetrov'ska str, 2
6.	32008278	Zhytomyr oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	10003, Zhytomyr, Peremohy str, 75
7.	31179046	Zakatrpatya oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	88000, Uzhgorod, Sobranetska str, 39
8.	32025623	Zaporizhzhya oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	69095, Zaporizhzhya, Ukrain'ska str, 50
9.	31790584	Ivano-Frankivsk oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	76004, Ivano-Frankivsk, Petrushevy'cha str, 1
10.	33096517	Kyiv obldorupr Subsidiary enterprise of JSC “Roads of Ukraine”	03150, Kyiv, Narodnogo Opolchenya, 11-A
11.	32039992	Kirovohrad oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	25015, м. Kirovohrad, Poltav'ska str, 38
12.	31995774	Luhansk oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	91000, Luhansk region, Starobil'sk district, Chmyrivka, Shidna str, 4.
13.	31978981	Lviv oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	79053, Lviv, Frankivsk district, Volodymyra Velykoho str, 54
14.	31159920	Mykolaiv oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	54029, Mykolaiv, Halyny Petrovoi str, 2A
15.	32018511	Odessa oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	65031, Odessa, Hrushevs'kogo srt, 49
16.	32017261	Poltava oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	36024, Poltava, Kyibeshyva str, 22A
17.	31994540	Rivne oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	33000, Rivne, Ostafove str, 7
18.	05422674	Sevastopol uprdor Subsidiary enterprise of JSC “Roads of Ukraine”	99014, м. Sevastopol, Khrustaliova str, 22

19.	31931024	Sumy oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	40002, Sumy, Romenska str, 79/2
20.	31995099	Ternopil oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	46001, Ternopil, oleny Kulchytskoi str, 8
21.	31941174	Kharkiv oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	61202, Kharkiv, Ahsarova str, 2
22.	31918234	Kherson oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	73036, Kherson, Popovycha str, 23
23.	31100492	Khmelnyskiy oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	29000, Khmelnytskyi, Svobody str, 77
24.	31141625	Cherkasy oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	18006, Cherkasy, Shevchenka str, 389
25.	31963989	Chernivtsi oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	58018, Chernivtsi, Holovna str, 205
26.	32016315	Chernigiv oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	14005, Chernigiv, Kyivska str, 17
27.	05423018	«SHRB-100» Subsidiary enterprise of JSC “Roads of Ukraine”	07335, Kyiv region, Vyshgorod district, Demidiv village
28.	31803425	«Lviv dorservis» Subsidiary enterprise of JSC “Roads of Ukraine”	81400, Lviv region, Sambir, Chornovola str, 32
29.	34891341	«Health complex «Podillya» Subsidiary enterprise of JSC “Roads of Ukraine”	32000, Khmelnytskyi region, Sataniv village
30.	21582733	« Office of the buildings Management» Subsidiary enterprise of JSC “Roads of Ukraine”	03150, Kyiv, Antonovycha str, 51
31.	03443666	«Zahiddorvybuhprom» Subsidiary enterprise of JSC “Roads of Ukraine”	46006, Ternopil, Hayova str, 47
32.	34385082	«Guest House «Dorozhyk» Subsidiary enterprise of JSC “Roads of Ukraine”	72100, Zaporizhzhya region, Prymorky, Kurortna str, 85
33.	03445665	Kyiv oblavtodor Subsidiary enterprise of JSC “Roads of Ukraine”	03150, Kyiv, Narodnoho Opolchenya str, 11-A

According to the new version of the Charter of JSC «THE ROADS OF UKRAINE» (hereinafter - the Company), approved by the Order of the State Agency of the Roads of Ukraine dated December 28, 2018, No. 421, the purpose of the Company's activity is to meet the needs of the state, territorial communities, legal entities and people regarding safe and quality public roads, works and services performed by (provided by) the Company, profit from the implementation of economic activities, assistance in the development of the road industry, industrial and social development the enterprises roads, improving the use of material, financial and other resources.

The subject of activity of the Company and its subsidiaries is:

- performance of construction works, reconstruction, repair and maintenance of highways, bridges, other structures and elements of road design;
- ensuring the stable operation of the road complex in the face of natural disasters, accidents, catastrophes and overcoming their consequences;
- development of industry and production of construction, road-building materials and structures, other products needed for the construction and repair of highways and structures on them;
- development of deposits of building materials, processing of rock mass, production of building materials;
- the activity of head offices (heads-offices);
- additional land transport services;
- other transportation support activities.

## **Section 2. Basics of preparation and presentation of financial statements**

CONSOLIDATED FINANCIAL STATEMENTS of JSC «THE ROADS OF UKRAINE» consist of the balance sheet (statement of financial position) for December 31, 2018 and the corresponding statements of financial results (single income statement), cash flow and equity., as well as a concise statement of

significant accounting policies and other notes, including information explaining the impact of the transition from previously applied P (C) IAS to IFRSs.

In preparing the consolidated financial statements, the Company has applied International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations (KTMFZ, FCT), issued by the International Accounting Standards Board, in the Ukrainian translation published on the Ministry's official website Of Ukraine.

The consolidated financial statements are prepared on the basis of historical cost, except for certain items of property, equipment and intangible assets that are carried at the date of transition to IFRSs at fair value (reasonable cost price).

### **Section 3. Significant accounting policies, material judgments and accounting estimates**

#### **3.1. Adoption of new IFRSs and impact of issued non-effective standards and interpretations**

Beginning January 1, 2018, the following new standards have been adopted:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers

IFRS 9 is applied retrospectively with some exceptions, but does not require retranslation of prior periods for classification and measurement (including impairment). In accordance with IFRS 9, there are three categories of debt accounting: at amortized cost, at fair value through other comprehensive income, and at fair value through profit / loss. The valuation principles of each category are similar to the applicable requirements of IAS 39. The classification depends on the financial asset management business model and whether the contractual cash flows include principal and interest payments. The Company applies a simplified approach to the recognition of expected credit losses in respect of the entire life of trade and other receivables in accordance with IFRS 9. Thus, the application of the

model of expected credit losses in accordance with IFRS 9 has no significant effect on the amount of provisions for doubtful debt recognized in respect of financial assets in the form of trade receivables. The Company does not apply hedge accounting in accordance with IFRS 9.

IFRS 15 Revenue from Contracts with Customers is applied to the first annual financial statements beginning on or after January 1, 2018. The standard provides a single integrated revenue accounting model based on a five-stage model that can be applied to all contracts with clients, namely: identify the contract with the client; identify fulfillment of obligations under the contract; determine the price of the operation; apportion the transaction price to the contractor's obligations under the contract; recognize revenue at the time (as) the fulfillment of the obligation of the executor.

The company is starting to apply the new standards from January 1, 2018. Given the specifics of the financial performance of the Company and its subsidiaries, IFRS 9 and 15 do not change the general accounting principles, therefore, the Company has not made any retrospective adjustments and no expectations of a significant impact on the consolidated financial statements as a result of applying the new standards.

IAS 16 "rent" applies to the first annual financial statements for the financial period beginning on or after January 1, 2019. The standard replaces the accounting for operating and financial leases for tenants only model. At inception of the lease recognizes an asset in the form of usage rights in the amount of the liability for future lease payments plus initial direct costs. In the future asset in the form of use rights is measured at cost less depreciation and losses from impairment (excluding investment properties or fixed assets carried at revalued amounts). The obligation is measured at the present value of future lease payments based on lease term, which includes periods in which there is sufficient confidence in the continuation. Combined leases and services should be divided into components, wherein an asset in the form of use rights and obligations are formed only on the basis of a component of the lease. The standard can be applied fully retrospectively

with or without restatement of information for the comparative period with recognition of a cumulative effect from initial application of the standard as an adjustment to the incoming residues.

Management expects that the application of IFRS 16 "rent" beginning with reporting periods after January 1, 2019 will not have a material impact on the financial position and/or financial performance of the Company. At the same time, the Company's management assesses the impact of applications of new (updated) standards and interpretations to Refine their own policies and points to the desirability of reviewing the procedures used to determine the carrying amount and classification of lease operations, financial assets and liabilities, the recognition of contract assets and liabilities.

### **3.2. Basis for evaluating report articles**

The consolidated financial statements of the Company under IFRS are prepared through the implementation of adjustment and transformation procedures, the reclassification of the articles of separate financial statements of subsidiaries and the consolidated financial statements of the Company prepared under national law. It uses additional information not included in the financial statements for P (C) IAS regarding items of assets, capital and liabilities, income and expenses, which is analyzed and summarized to express a professional opinion based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations of the International Financial Reporting Interpretations Committee, effective as of the relevant date, and are used solely for the preparation of the Company's financial statements from ovidnosti IFRS.

The basis for evaluating an entity's financial statements under IFRS is historical cost. In preparing IFRS financial statements, the Company makes estimates and assumptions that affect the determination of assets and liabilities, the determination of income and expenses for the reporting period, the disclosure of contingent assets and liabilities at the date of preparation of financial statements, based on IFRS, IAS and interpretations developed by the International Financial



Reporting Interpretation Committee and the provisions of these accounting policies.

The financial statements are recognized and assessed in accordance with the accounting policies described below:

1) non-Current (inaccurate) assets

Group companies reflected on the balance sheet fixed assets on the basis of the right of ownership or right of economic tradition.

The economic management allows you to own, use and dispose of property, except actions on the property, which can lead to the alienation of such property. Group companies freely use such assets in their business activities, bear the risk of their accidental destruction or damage and the costs to maintain them in proper functional state at their own expense. At the same time, special limitations in respect of income derived from the use of those assets do not exist. The fixed assets that have been assigned to the company on right of economic management meet the definition of fixed assets, as used in economic activities for more than one period. These objects are included in the appropriate fixed asset group.

Articles recognition of fixed assets and intangible assets in the consolidated financial statements under IFRS are carried out in accordance with IAS 16 "fixed assets" and IAS 38 "Intangible assets" subject to the requirements of IAS 36 "impairment of assets".

The main solution is a complete device with all fittings and accessories or the separate structurally isolated subject intended for fulfilment of certain independent functions, which have two characteristics:

- the expected useful life which exceeds one year;
- the initial cost is more than 6000 UAH.

In the consolidated financial statements prepared according to IFRS accounting of fixed assets is carried at historical cost, the revaluation is not recognised.

Accounting of investment properties the subsidiaries is carried out according to the model cost. IAS 40 provides for the measurement of investment

property, the same basic approach to evaluation of fixed assets according to IAS 16 (paragraph 56 of IAS 40 "Investment property").

Depreciation of property, plant and equipment and intangible assets is carried out using the straight-line method over its useful life. It is also allowed to use the production method for machines and mechanisms. The specifics of the depreciation method and the useful life of each item of property, plant and equipment for accounting purposes are determined by the Company, its subsidiaries (affiliates) independently and are issued by separate orders.

Intangible assets are assets that are not tangible and held for use for more than 1 year.

Long-term financial investments of subsidiaries are recognized in IFRS consolidated financial statements in accordance with the requirements of IAS 28 Associates and IAS 39 Financial Instruments: Recognition and Measurement.

In preparing separate financial statements, investments in subsidiaries are accounted for under IAS 39 Financial Instruments: Recognition and Measurement as a financial asset at fair value with profit or loss being recognized.

## 2) Circulating (current) assets

Inventory valuation at the balance sheet date is carried at the lower of the two values: cost or net realizable value.

Transportation and procurement expenses are noted on a separate sub-account and are deducted each month through the distribution in proportion to the amount of disposed reserves during the reporting month.

The cost of inventories at retirement is determined using the following methods:

- FIFO when issuing tangible assets to the production, sale and other disposal. Allowed to use the periodic average cost for fuel, lubricating, bulk, binders and other materials measured in liters, cubic meters, tons, pieces, and such for which it is impossible to clearly determine the date of their receipt.

- The sales price of the units engaged in the retail sale of goods;
- On the identified cost of the unit low value items.

Valuate the work in process is determined from the sum of the costs incurred for the execution of works (services) for which the company has not been recognized as income. Method of disposal of work in progress – at the identified cost of the relevant unit (object of calculation).

Current debt receivables for products, goods, works, services is recognized as an asset simultaneously with the recognition of revenue from sales of products, goods, works and services and is measured at the transaction price, due to the new IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments", which came into force on 1 January 2018.

Provision for doubtful debts (depreciation) for receivables is created on the basis of the order of the Director by determining the absolute amount of doubtful debts on the basis of the solvency of individual debtors.

### 3) Liabilities and equity

The obligation is recognized, if its evaluation can be reliably measured and is probable that a decrease in future economic benefits as a result of repayment.

In the case of obligations with uncertain timing or amount that meets the recognition criteria (assessed with a high probability), in the consolidated financial statements of the Company exercised their accrual (accrual) in the amount, which is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period in accordance with IAS 37 "Provision, contingent liabilities and contingent assets".

The company does not recognize contingent (emergency) commitments. Information about the contingent liability is disclosed unless the possibility of an outflow that incorporates economic benefits is considered remote.

In the consolidated financial statements, ensuring payment of staff is reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In the consolidated financial statements under IFRS, the trust financing related to the acquisition of fixed assets is recognized in accordance with IAS 20 "Accounting for government grants and disclosure of government assistance" by

the method of capital. Government grants related to the acquisition of fixed assets are recognized in the statement of financial position in the composition of the additional capital on a Pro-rata basis that applies to undistributed profits (uncovered losses) in the period in which the recognized costs of depreciation of such assets or they are disposed of.

#### 5) Changes in accounting policies

Order VA. Chairman of the Board of PJSC "SJSC "motor roads of Ukraine" from 31.12.16, No. 217 in accounting policy has been made changes and additions regarding the accounting and financial reporting of the Group companies individual transactions, namely:

- Right of permanent use of land plots included in intangible assets on the subaccount 1221 "Right to permanent use of the land" at fair value (a standard monetary assessment). For setting the balance (increase account value) of an intangible asset are posting D-t 1221 "Right of permanent use of the land" - To-t 4244 "Granted the right of permanent use of land of road economy".

- Added a new subaccount for the account of ensuring of future expenses in temporary buildings and constructions on production. On subaccount 4742 "Ensuring of future expenses in temporary buildings and facilities for the production of" there is a movement and balances refunded by the customer of the resources in the "Temporary buildings" to be used in full for repairs of production bases.

The moment of recognition and accounting of incomes and expenses. Given the fact that the part of the primary documents confirming execution of works, signed by the untimely customers, in accounting policies made more specific regarding the date of recognition of income from sales and cost of work performed. In particular, in accounting income (expenses) are recognized in the period in which it actually took place, economic operation, what should be made the primary document - the act rendered (received) services (performed works), etc. or there is other information about the occurrence credibly of certain liabilities (the court's decision, the terms of the contract, the planned figures for calculations

and the like). Costs, which at the time of preparation of the financial statements not received initial documents from the counterparties, are recognized in the period of recognition of income, for which they have been or they are actually incurred, if the costs cannot directly be linked to income. Sufficient prior to receipt of primary documents from the counterpart is the use of primary documents created by the entity itself in any form with observance of requirements of the current legislation on mandatory requirements for the primary document.

Made to the accounting policy changes are noted in the accounting and financial reporting of the Group companies starting from January 1, 2017.

## 4.2. Non-current assets

### 4.2.1. Intangible assets

Intangible assets group	Balance as on 12/31/2017			Balance as on 12/31/2018		
	Initial value	Depreciation	Residual value	Initial value	Depreciation	Residual value
Rights to use natural resources	869	714	155	3 021	797	2 224
Property rights	3 005 135	-	3 005 135	3 176 858	-	3 176 858
Property rights Copyright and related rights	2 425	1 386	1 039	3 731	2 267	1 464
Other intangible assets	1 893	959	934	23 145	314	22 831
<b>Total</b>	<b>3 010 322</b>	<b>3 059</b>	<b>3 007 263</b>	<b>3 206 755</b>	<b>3 378</b>	<b>3 203 377</b>

Pursuant to Order No. 217 of December 30, 2016, on changes to the Regulations on Accounting Policy of PJSC SJSC Motorways of Ukraine, the rights of permanent use of land plots are accounted for by the Group's entities as intangible assets at fair value. Given the lack of financial capacity of the Group's enterprises to carry out an expert assessment of the value of land use rights, such assets were reflected in accounting and financial statements based on regulatory

monetary valuation information. The Company's management notes that the valuation of the carrying amount of land use rights may differ from the valuation made for the purpose of being reflected in the financial statements prepared in accordance with IFRSs.

The total value of the rights of permanent use of land plots as of December 31, 2018 is UAH 3 203019 thousand. (Table 3).

<b>№ з/п</b>	<b>Name of Company</b>	<b>The carrying amount of land use rights</b>
1	SE « SHRBUS-100»	170
2	SE "Podillya"	539
3	SE "Vinnytsia Oblavtodor"	196 835
4	SE "Sumy Oblavtodor"	121 177
5	JSC "Roads of Ukraine" (parent company)	0
6	SE "Chernivtsi Oblavtodor"	72 076
7	SE "Zaporizhia Oblavtodor"	146 285
8	SE "Lugansk Oblavtodor"	121 919
9	SE "Volyn Oblavtodor"	97 532
10	SE "Transcarpathian Oblavtodor"	46 512
11	SE "Kharkiv Oblavtodor"	382 935
12	SE "Ternopil Oblavtodor"	42329
13	SE «Poltava Oblavtodor»	221 110
14	SE "Dorozhnik"	1 490
15	SE "Kherson Oblavtodor"	45 283
16	SE "Odessa Oblavtodor"	383 943
17	SE "Lviv Oblavtodor"	68 865
18	SE "Cherkasy Oblavtodor"	66 096
19	SE «Khmelnitsky Oblavtodor»	234 377
20	SE «Kyiv Oblavtodor»	0
21	SE "Westdorvybuhprom"	84
22	SE "Lviv Dorservice"	1 506
23	SE "Chernihiv Oblavtodor"	78 685
24	SE "Crimean Oblavtodor"	0

25	SE «Kyiv Oblorupr»	149 759
26	SE "Sevastopol Uprdor"	0
27	SE "Ivano-Frankivsk Oblast Avtodor"	74 886
28	SE "Kirovograd Oblavtodor"	145 561
29	SE «Dnipropetrovsk Oblavtodor»	75 036
30	EXBUD SE	71678
31	SE "Rivne Oblavtodor"	139 969
32	SE «Nikolaev Oblavtodor»	63 989
33	SE "Zhytomyr Oblavtodor"	73 760
34	SE "Donetsk Oblavtodor"	78 633
	<b>Total</b>	<b>3 203019</b>

#### 4.2.2. Fixed assets

Group of fixed assets	Balance as on 12/31/2017			Balance as on 12/31/2018		
	Initial value	Depreciation	Residual value	Initial value	Depreciation	Residual value
Investment real estate	62 816	11 482	51 334	84 388	23 381	61 007
Buildings, structures, land	928 514	455 544	472 970	991 919	479 440	512 479
Machines, mechanisms, equipment, tools, inventory, other equipment	2 680 299	1 814 650	865 649	2 705 766	1 849 564	856 202
Unfinished construction	11 912	0	11 912	11 651	0	11 651
Other non-current tangible assets (including livestock, perennial crops)	3 583	3 350	233	3 641	3 436	205
<b>Total</b>	<b>3 687 124</b>	<b>2 285 026</b>	<b>1 402 098</b>	<b>3 797 365</b>	<b>2 355 821</b>	<b>1 441 544</b>

The Company's management estimates that social assets are not included in property, plant and equipment in the consolidated financial statements because

they do not create future economic benefits for businesses due to the loss of control (privatized housing stock) or the lack of opportunity their use (sell such assets, lease, etc.) or the ability to reduce cash outflows (use in production, for living off their own workers at the expense of wages, etc.).

As of December 31, 2018, the write-off of the housing stock was made on the basis of the following adjustments:

- Other additional capital	15 165 thousand UAH.
- Retained earnings (losses)	1 673 thousand UAH.
- Depreciation of fixed assets	22 236 thousand UAH.
- <u>Fixed assets</u>	<u>39 074 thousand UAH.</u>

Information on the write-off of the initial value of the housing stock due to depreciation, other additional capital and retained earnings (loss) from the assets of the group enterprises as of December 31, 2018 is given below (Table 7).

Additional disclosures of property, plant and equipment to be disclosed in accordance with IAS 16 Property, Plant and Equipment

№	Indicator	As of December 31, 2017	As of December 31, 2018.
1	Cost of fixed assets subject to ownership restrictions	29 766	83 752
2	The cost of pledged fixed assets	65 395	28 074
3	The residual value of temporarily unused fixed assets	29 911	23 016
4	The initial (revalued) cost of fully depreciated property, plant and equipment	217 328	233 971
5	Cost of fixed assets leased under operating lease	1 602	1 412

As of December 31, 2018, the carrying value of non-current assets held for sale is UAH 10 212 thousand. In terms of subsidiaries, the following information is provided:

- State Enterprise "ShRBU-100" - 10 thousand UAH;
- SE "Vinnytsia Oblavtodor" - 829 thousand UAH;
- SE "Lugansk Oblavtodor" - 2 498 thousand UAH;
- SE "Ternopil Oblavtodor" - 48 thousand UAH;



- SE "Poltava Oblavtodor" - 3 274 thousand UAH;
- SE "Zapadorvybuhprom" - 21 thousand UAH;
- SE "Chernihiv Oblavtodor" - 11 thousand UAH;
- SE «Kyiv obldorupr» - 1 366 thousand UAH;
- SE "Mykolaiv Oblavtodor" - 733 thousand UAH;
- SE "Donetsk Oblavtodor" - 1 422 thousand UAH.

The carrying value of investment property as at December 31, 2018, accounted for by the Group's enterprises at cost, is 61,007 thousand UAH, including:

- SE "Exbud" for the amount of UAH 45,161 thousand;
- SE "Ternopil Oblavtodor" for the amount of 10 295 thousand UAH;
- SE "Vinnytsia Oblavtodor" for the amount of 3 646 thousand UAH;
- SE "Rivne Oblavtodor" for the amount of 1,596 thousand UAH;
- SE "Mykolaiv Oblavtodor" for the amount of 265 thousand UAH;
- SE "Kirovograd Oblavtodor" for the amount of 44 thousand UAH.

#### **4.2.4 Long-term receivables and other non-current assets**

The carrying value of "other current assets" as of 31.12.18 is 219 925 thousand. and includes:

- financial balances of subsidiaries of the accounts in the banking institutions in respect of which restrictions are applied for using (locked or arrested on account) for a total of 2 953 thousand UAH.;
- advance payment to SE "Kyiv Oblavtodor" for the purchase of fixed assets (road transport equipment) at the expense of target financing received in the amount of 216 972 thousand UAH. (in the separate balance sheet of the subsidiary included in current assets, line 1155 in "Other current receivables").

During the procedure of transformation of consolidated financial statements on the balance of cash and banking institutions in respect of which the

National Bank of Ukraine adopted the decision to revoke the license and initiate the procedure of liquidation have been accrued reserves impairment.

Management personnel of the Company believes that the inclusion of the subsidiaries as creditors in the register of accepted creditors 7 stage led to the need for accruals on the debt of troubled banks, as the historical practice of repayment by the liquidators of the liabilities of banks in liquidation, as well as information available from public sources (the website of the Fund, court decisions, mass media reports) shows a very low probability of future economic benefits from the use of such assets.

In addition, in the article "other non-current assets" in the separate financial statements of SE "Donetsk Oblavtodor" and SE "Luhansk Oblavtodor" reflects the carrying value of the destroyed (stolen) property located in the ATO zone and is not under the control of these group companies.

As 31.12.2018 g. the amount of the provision for impairment of these assets recognized in the consolidated Balance sheet amounts 1 680 thousand UAH.

### 4.3 Current assets

#### 4.3.1 Stocks

Information about the principal and the movement of inventories of the Company by 2018

№ 3/II	Name of the indicator	At the beginning of the reporting period	Received in the reporting period	Disposals (written off) for the reporting period	At the end of the reporting period
1	Inventories, including:	<b>458 129</b>	<b>3 741 071</b>	<b>3 718 866</b>	<b>480 334</b>
1.1	Fuel and lubricants	54317	1172243	1169252	57308
1.2	Binders	30303	921167	912488	38982
1.3	Crushed stone products	50446	430347	400411	80382
1.4	Ice-cream materials	109097	273744	313618	69223
1.5	Paint	8183	35361	37224	6320
1.6	Rolled metal products	10502	13837	12175	12164
1.7	Enclosures, alarms. pillar.	10366	8982	9122	10226
1.8	Road Signs	26744	26955	22667	31032
1.9	Building materials	14529	152664	149118	18075
1.10	Spare parts	41232	162960	161864	42328

1.11	IBE (PAH 22)	11742	25289	25409	11622
1.12	Household equipment	2057	1784	1503	2338
1.13	Commodity costs	38996	175130	174445	39681
1.14	Warehouse costs	271	1373	1548	96
1.15	Other materials	49344	339235	328022	60557

As of December 31, 2018, the carrying amount of inventories carried at net realizable value is 200 639 thousand UAH.

#### 4.3.2 Current accounts receivable

##### 1) Adjustment of current receivables for goods, works, services

Information on the change in the item of current receivables for goods, works, services at the date of transition of subsidiaries to IFRS application (01.01.2018) is presented below in the table

<b>№ з/п</b>	<b>Name of company</b>	<b>Balance line 1125 before adjustment</b>	<b>Balance line 1125 after adjustment</b>
1	SE "SHRBU-100"	2948	3933
2	SE "Podillya"	8	9
3	SE "Vinnytsia Oblavtodor"	33767	33451
4	SE "Sumy Oblavtodor"	4313	4357
5	PJSC SJSC "Highways of Ukraine" (parent company)	0	0
6	SE "Chernivtsi Oblavtodor"	2610	2470
7	SE "Zaporizhia Oblavtodor"	1189	1215
8	SE "Lugansk Oblavtodor"	11691	11817
9	SE "Volyn Oblavtodor"	5330	5196
10	SE "Transcarpathian Oblavtodor"	32424	31744
11	SE "Kharkiv Oblavtodor"	32537	31986
12	SE "Ternopil Oblavtodor"	18745	18695
13	SE «Poltava Oblavtodor»	31230	29491
14	SE "Dorozhnik"	12	12
15	SE "Kherson Oblavtodor"	4890	14088
16	SE "Odessa Oblavtodor"	4922	5346
17	State Enterprise "Lviv Oblast Avtodor"	36153	36189
18	SE "Cherkasy Oblavtodor"	15565	14243
19	SE «Khmelnitsky Oblavtodor»	13566	13147
20	SE «Kyiv Oblavtodor»	125	125
21	SE "Westdorvybuhprom"	5164	5331
22	SE "Lviv Dorservice"	1765	1765
23	SE "Chernihiv Oblavtodor"	21627	15128
24	State Enterprise "Crimean Oblavtodor"	0	0
25	Subsidiary enterprise «Kyiv regional	64724	65080

	oblorupr»		
26	SE "Sevastopol Uprdor"	0	0
27	SE "Ivano-Frankivsk Oblast Avtodor"	66331	65419
28	SE "Kirovograd Oblavtodor"	23823	23422
29	State Enterprise «Dnipropetrovsk Oblavtodor»	2339	2373
30	EXBUD SE	239	239
31	SE "Rivne Oblavtodor"	31611	31450
32	SE «Nikolaev Oblavtodor»	4178	3596
33	SE "Zhytomyr Oblavtodor"	19282	17451
34	SE "Donetsk Oblavtodor"	14032	13780
	Total of the Group companies	<b>507140</b>	<b>502548</b>
	A reserve for work in progress has been accrued	-7867	
	Recognition of completed works	29843	15420
	Current receivables for goods (works) specified in the Balance Sheet	<b>529116</b>	<b>517968</b>

#### 1) Information on receivables for goods, works, services by year of origin

Current receivables for goods, works, services of the Company as of December 31, 2018, by year of origin

Accounts receivable by year of occurrence	Amount, thousand UAH.
2013	1 074
2014	3 115
2015	9 870
2016	7 027
2017	19 163
2018	454 640
Total receivables by years of occurrence	<b>494 889</b>
Recognition of completed works as of December 31, 2018	60 754
Accounts receivable in the Balance sheet as of December 31, 2018	<b>555 643</b>

#### 1) Contingent assets

The amount of possible sanctions (inflation, penalties, 3% per annum) in lawsuits in the amount of UAH 145 630 thousand, for which there are uncertainties, are classified by the Company as contingent assets, the existence of which will be confirmed only after the final judgment, which will come into force (events not fully controlled by the Group's entities).

Information on litigation on receivables and open enforcement proceedings, in which the group companies act as debtors as of December 31, 2018.

Enterprise group	Amount of debt	The amount of sanctions	The amount of court fees	Total	including separately	
					In the courts	In the ICE
SE "Vinnytsia Oblavtodor"	509	573	18	1100	928	47
SE "Volyn Oblavtodor"	426	238	10	674	0	0
SE "Dniprovsky Oblavtodor"	942	331	21	1294	1294	0
SE "Donetsk Oblavtodor"	4599	384	98	5081	350	1548
SE "Zhytomyr Oblavtodor"	4094	19097	301	23492	22693	3115
SE "Transcarpathian Oblavtodor"	1509	252	31	1792	1738	444
SE "Zaporizhia Oblavtodor"	215	8	5	228	0	107
SE "Zahidvoribuhprom"	228	0	5	233	0	168
SE "Ivano-Frankivsk Oblast Avtodor"	1036	0	27	1063	0	0
SE "Kirovograd Oblavtodor"	1262	30	20	1312	0	217
SE «Kyiv Oblavtodor»	19	0	0	19	0	0
Subsidiary enterprise "Kyiv regional regional corporation"	3452	503	76	4031	871	1627
SE "Lugansk Oblavtodor"	28025	9871	23411	61307	0	0
State Enterprise "Lviv Oblast Avtodor"	49434	269		49 703	0	1579
SE "Odessa Oblator"	1056	995	33	2084	2084	0
SE "Poltava Oblavtodor"	3 989	31 726	1121	36836	0	36 221
SE "Rivne Oblavtodor"	4705	336	41	5082	0	0
SE "Sumy Oblavtodor"	138	88	16	242	242	0
SE "Ternopil Oblavtodor"	385	0	390	0	0	0
SE "Kharkiv Oblavtodor"	142 727	80 372	264	223363	223352	217389
SE "Kherson Oblavtodor"	49124	0	24	49148	49148	0
SE "Khmelnitsky Oblavtodor"	1541	280	39	1860	1860	0
SE "Cherkasy Oblavtodor"	469	120	8	597	561	80
SE "Chernivtsi Oblavtodor"	103	37	10	150	150	0
SE "Chernihiv Oblavtodor"	3837	120	80	4037	3809	0
SE "SHRBU 100"	2759	0	51	2810	5650	0
<b>TOTAL</b>	<b>306583</b>	<b>145630</b>	<b>26100</b>	<b>477538</b>	<b>314730</b>	<b>262542</b>

#### 1) Transformation of other current assets (liabilities)

Debts on advances received or issued and, accordingly, other current assets and liabilities are reflected in the Company's consolidated financial

statements net of VAT. At transformation of balance sheet items as of December 31, 2018:

- are excluded from the amount of receivables on advances of the amount of tax credit (balance subaccount 644), which are reflected in the accounting of the enterprises of the group for the amount of UAH 10 896 thousand, with the simultaneous exclusion of this amount from the item "Other current liabilities".

- Excluded from the current accounts payable on advances received tax liabilities (balance sheet subaccount 643), which are reflected in accounting for the amount of UAH 10 730 thousand, with the simultaneous exclusion of this amount from the item "Other current assets".

#### **4.3.3 Expenses for future periods**

For the purposes of drawing up the consolidated balance sheet, the Company reclassified the item "Future expenses" as of December 31, 18, which is reflected in the transformation note:

Retained earnings (losses)	494 thousand UAH.
Advances issued	533 thousand UAH.
<u>Expenses of future periods</u>	<u>1 027 thousand UAH.</u>

Information on changes in the item "Future expenses" made in the transformation of the consolidated balance sheet in accordance with the requirements of IFRS.

The name of the balance sheet	As of December 31, 2017	As of December 31, 2018
Total expenses for future periods according to the balance sheet (IFRS)	9 814	6 096
Correcting the error by adjusting the balance of retained earnings	3 983	-
Advances have been issued	725	532
Costs of the period (losses)	96	494
Expenses after the Transformation Period (IFRS)	5 010	5 068

#### **4.4. Ensuring future costs and payments**

### Current security

Information on the types and changes in current provision as a result of 2018

№ 3/ п	Characteristic	At the beginning of the year	Used in the reporting period	Used in the reportin g period	Previousl y created reserve	At the end of the reporting period
1	Provision for payment of holiday leave	127 431	170 533	153 081	1 607	143 277
2	Provision of years of service compensation	5 663	12 465	12 280	1 637	4 212
3	Ensuring payment of remuneration based on the results of the year	8 093	6 209	6 696	2 458	5 148
4	Provide material incentives	11 328	41 322	34 741	6 256	11 653
5	Other security (payments on burdensome contracts, costs for temporary and industrial buildings)	4 759	6 345	730	26	10 648
	Total security	<b>157 275</b>	<b>236 874</b>	<b>207 528</b>	<b>11 983</b>	<b>174938</b>

### Long-term security

The Group's long-term collateral consists of penalties for late payment of tax liabilities and registration of tax invoices, as well as in court cases.

Given the difficult financial position, the Group's entities have significant amounts of arrears of taxes and fees (tax debt), according to which the territorial branches of the State Tax Service did not make tax decisions on the application of penalties at the date of approval of the financial statements.

In accordance with IFRS 37 Collateral, Contingent Liabilities and Contingent Assets, on the date of transition of the Company's subsidiaries to IFRS, additional accruals were made at the expense of retained earnings (uncovered loss).

Accruals for late payment of tax liabilities and registration of tax invoices are based on the management's assessment of the likelihood of economic benefits to be paid in the future periods for repayment of penalties (penalties) and penalties on taxes and fees upon receipt.

The following is information about the long-term security penalties recognized in the consolidated financial statements for breach of tax law and the outcome of litigation.

Changes in long-term provisions for 2018 (thousand UAH):

<b><i>The balance is January 1, 2018</i></b>	<b><u>388 833</u></b>
<i>Accrued (increased) for the reporting period</i>	<i>164143</i>
<i>Used (reversed) for the reporting period</i>	<i>82 403</i>
<b><i>Balance as of December 31, 2018</i></b>	<b><u>470573</u></b>

The amount of collateral for penalties, which the Company recognized as part of other operating expenses for 2018 - 158 219 thousand UAH.

## **4.5 Equity**

### **4.5.1. Information on changes in equity as of 2018**

During 2018 the authorized capital of the Company did not change and amounted to UAH 1,266,114 thousand. (1,272,887 ordinary shares). According to the results of 2018, the net loss per ordinary share is UAH 0.24, which is four times higher than in 2017 (UAH 0.06 per share).

As of December 31, 2018, the Company has reduced the amount of additional capital through the following procedures of the transformation of the consolidated financial statements:

- 1) Reduction of the amount of capital in revaluations and additional capital in the part of the revaluation of fixed assets and write-off of housing assets:

- write-off amount revaluation surplus on assets:

Capital in revaluation	104 013 thousand UAH.
<u>Retained earnings (losses)</u>	<u>104 013 thousand UAH.</u>

- 2) As of June 30, 2018 in the implementation of procedures of transformation of financial statements of GP "DRSU-100" increased additional capital by carrying out such note:



Target financing	825 thousand UAH.
<u>Additional paid-in capital</u>	<u>825 thousand UAH.</u>

3) Due to the absence of programs approved by the Company to determine the direction of use of created reserve capital, the item "Reserve capital", which is UAH 1,334 thousand, is subject to reclassification to the item "Retained earnings (loss)". During the process of transformation of financial statements the following was noted:

Reserve capital	1 335 thousand UAH.
<u>Retained earnings (losses)</u>	<u>1 335 thousand UAH.</u>

#### **4.5.2. The impact of the transition of subsidiaries to IFRS on retained earnings (uncovered loss) and other components of equity of the Company**

In connection with the transfer of subsidiaries on adoption of IFRS at the reporting date were as follows transformational note and reclassification for the purposes of financial reporting:

- 1) non-Current assets:
  - impairment of fixed assets and unfinished capital investments;
  - write-off of housing facilities that are not monitored and are not used by the Group in the economic activities (no economic benefit);
  - write-off of fixed assets and low-value tangible assets with zero book value;
  - reclassification of investment property that are carried at cost model, the composition of fixed assets;
  - reclassify part of unfinished capital investments;
  - recognition within other non-current assets advances on acquisition of fixed assets;
  - the cancellation of long-term receivables and other fixed assets that do not meet the recognition criteria of assets (funds on accounts of financial institutions in liquidation, assets in the ATO/OOS);

- reclassify at the date of transition additional capital associated with dootsenki of fixed assets to retained earnings (loss) of Group companies.

2) current assets:

- writedowns of inventories to net realizable value;
- write-off of uncollectible receivables and allowance for doubtful debts on debtors, for which you are legislative restrictions (not exceeding 1.5 years);
- reclassification of deferred charges;
- adjustment of the value of non-current assets held for sale;

3) Commitment and support:

- Long-term accruals provisions for the payment of sanctions for violation of tax legislation;
- Accrual of provisions or other current obligations during litigation with creditors, in respect of which there was a high chance of losing the case;
- separate articles of the reclassification of liabilities

4) other adjustments implemented by the subsidiaries in the separate financial statements related to the impact of transition to IFRS or bug fixes.

The impact of the transition of subsidiaries as a result of the application of IFRS to equity in the separate financial statements of prior GAAP with its equity under IFRS at the date of transition (01.01.18) and the last balance sheet date (31.12.18) is broken down by balance sheet items (The table summarizes the items by article for the consolidation process).

Asset	At the beginning of the reporting period	As of 01.01.2018 after Transformation (IFRS)	At the beginning of the reporting period (IFRS) After adjustments	At the end of the reporting period	At the end of the post-transformation reporting period * (IFRS)	At the end of the reporting period (IFRS) After adjustment
1	2	3	4	5	6	7
I. non-current assets						
Intangible assets	2 483 768	3 007 263	3 007 263	3 203 377	3 203 377	3 203 377
the initial cost	2 489 771	3 010 322	3 010 322	3 208 170	3 206 755	3 206 755

accumulated depreciation	6 003	3 059	3 059	4 793	3 378	3 378
Capital investments in progress	163 221	11 912	0	26 663	11 651	0
Basic tools	<b>1 198 412</b>	<b>1 358 233</b>	<b>1 402 098</b>	<b>1 377 346</b>	<b>1 386 820</b>	<b>1 441 544</b>
the initial cost	3 063 185	3 651 296	3 687 124	4 034 258	3 741 486	3 797 365
wear	1 864 773	2 293 063	2 285 026	2 656 912	2 354 666	2 355 821
Investment property	50 624	51 334	0	60 967	61 007	0
the initial cost	61 852	62 816	0	84 348	84 388	0
wear	11 228	11 482	0	23 381	23 381	0
other financial investments	1 271 952	1 266 604	1 266 604	1 266 604	1 266 604	1 266 604
Long-term receivables	20 833	22 525	22 525	20 132	20 090	20 090
Deferred tax assets	0	0	69 021	0	0	80 137
Other non-current assets	13 918	5 426	3 710	4 620	4 633	219 925
<b>Total for section I</b>	<b>5 202 728</b>	<b>5 723 297</b>	<b>5 771 221</b>	<b>5 959 709</b>	<b>5 954 182</b>	<b>6 231 677</b>
II. Current assets						
Stocks	<b>529 712</b>	<b>492 242</b>	<b>476 651</b>	<b>548 783</b>	<b>553 112</b>	<b>498 421</b>
Inventories	483 758	458 544	458 544	476 123	480 452	480 452
WIP	30 127	20 620	5 029	57 475	57 475	2 784
Finished products	12 406	12 285	12 285	14 394	14 394	14 394
Products	3 421	793	793	791	791	791
Current biological assets	18	118	118	155	155	155
Notes receivable	5 000	5 000	5 000	5 000	5 000	5 000
Accounts receivable for products, goods, works, services	532 643	507 061	517 968	499 777	499 417	555 380
Accounts receivable on settlements: on advances paid	71 812	68 124	59 470	70 542	69 573	60 837
with the budget	11 435	10 089	10 089	45 877	45 877	45 877
including income tax	5 419	3 413	3 413	2 912	2 912	2 912

Accounts receivable for settlements from internal calculations	67 874	51 875	51 875	53 427	53 427	53 427
Other current receivables	14 020	20 784	20 784	241 343	245 057	28 085
Current financial investments	0	0	0	0	0	0
The cash and cash equivalents	97 212	97 211	97 211	200 768	200 768	200 768
Deferrals	9 814	5 831	5 010	6 339	6 096	5 068
Other current assets	62 250	55 547	46 103	46 340	44 240	34 356
<b>Total for section II</b>	<b>1 401 790</b>	<b>1 313 882</b>	<b>1 290 279</b>	<b>1 718 351</b>	<b>1 722 722</b>	<b>1 487 374</b>
III. Non-current assets held for sale and disposal groups	91 938	17 574	17 574	12 304	10 212	10 212
<b>Balance</b>	<b>6 696 456</b>	<b>7 054 753</b>	<b>7 079 074</b>	<b>7 690 364</b>	<b>7 687 116</b>	<b>7 729 263</b>
I. equity						
Registered capital	2 433 043	2 433 043	2 433 043	2 433 199	2 433 199	2 433 199
Capital doinker	180 933	99 554	0	104 013	104 013	0
Additional capital	2 924 734	3 443 324	3 426 633	3 611 744	3 611 744	3 596 579
Reserve capital	1 334	1 335	0	1 335	1 335	0
Undistribut ed profit (uncovered loss)	-896 066	-1 401 919	-1 264 003	-1 686 493	-1 686 493	-1 544 394
<b>Total for section I</b>	<b>4 643 978</b>	<b>4 575 337</b>	<b>4 595 673</b>	<b>4 463 798</b>	<b>4 463 798</b>	<b>4 485 384</b>
II. Long-term liabilities and collateral						
Deferred tax liabilities	858	858	17 893	892	892	5 275
Other long-term liabilities	85 115	88 724	88 724	70 983	68 991	68 991
Long-term	0	378 413	378 413	412 888	433 898	463 268
Targeted funding	825	0	0	309 960	309 960	309 960
<b>Total for section II</b>	<b>86 798</b>	<b>467 995</b>	<b>485 030</b>	<b>794 723</b>	<b>813 741</b>	<b>847 494</b>

III. Current liabilities and provision						
Short-term Bank loans	61 706	61 706	61 706	36 767	36 767	36 767
Notes payable	5 000	5 000	5 000	5 000	5 000	5 000
Current payables: long-term obligations	13 631	18 140	18 140	10 485	10 485	10 485
goods, works, services	915 148	913 025	913 464	1 086 709	1 077 234	1 077 673
settlements with the budget	393 019	406 407	406 407	557 155	559 147	559 147
including income tax	7 299	7 650	7 650	3 975	6 975	6 975
to insurance	47 813	51 165	51 165	64 917	64 917	64 917
calculations on payment	120 879	120 903	120 903	150 687	150 687	150 687
Current payables advances received	67 932	67 322	57 878	67 449	66 804	56 920
Current payables for internal calculations	54 691	54 581	54 581	55 281	55 281	55 281
Current ensure	135 110	157 275	157 275	195 948	174 938	174 938
Deferred income	50	50	50	33	33	33
Other current liabilities	150 701	155 847	151 802	201 412	208 284	204 537
<b>Total for section III</b>	<b>1 965 680</b>	<b>2 011 421</b>	<b>1 998 371</b>	<b>2 431 843</b>	<b>2 409 577</b>	<b>2 396 385</b>
<b>Balance</b>	<b>6 696 456</b>	<b>7 054 753</b>	<b>7 079 074</b>	<b>7 690 364</b>	<b>7 687 116</b>	<b>7 729 263</b>

## **Section 5. Disclosure of Transformation and Composition of Articles in the Income Statement**

### **5.1. Transformational notes**

Based on the statement of income and expense group disclosed by the entities, and taking into account the balance sheet adjustments made, the

Company has made transformation notes to form a consolidated statement of comprehensive income for the year 2018 in accordance with IFRS.

The notes provided the following adjustments:

1) Adjustments related to the recognition of revenue from the sale and write off of the cost of actually completed road works:

- Net income from the sale of products, works and services adjusted to the amount of 45372 thousand UAH. as the difference between the contract value of the work performed and not received by the contracting authorities in 2018 and the amount of previously recognized revenue (actually performed in the previous accounting years of work included by the group's entities in 2018 revenue);

- The cost of goods, works and services sold increased by UAH 39,134 thousand. as the difference between the production cost of work performed and not taken in 2018 and the cost of work performed that was accounted for work in progress as of December 31, 2017 and accounted for in the cost of prior reporting periods in the preparation of the Company's consolidated financial statements ( in the period of recognition of sales revenue);

2) Reduction of other operating expenses in the amount of UAH 2 115 thousand. in connection with accrual of reserves in the current reporting year and write-off of receivables for goods, works, services with the attribution of the group's enterprises to the expense in separate financial statements, the net realizable value of which was adjusted during the financial statements transformation in the previous reporting periods (attributed to past expenses as a result of accruing a provision for the impairment of such financial assets).

3) Adjustment of collateral for the future payment of penal (financial) sanctions for violation of tax legislation for the total amount of UAH 29 371 thousand, for which the legal services of subsidiaries were given estimates of the high probability of a legal obligation and future economic benefits for the future its repayment.

4) Adjustments to income and expenses related to the application of the equity method in accordance with IAS 20 and the inclusion in the consolidated statements of fixed assets of social value that are not recognized as assets due to lack of economic benefits from their use (housing assets) :

- Reduction in other income by the disposal and depreciation of fixed assets (government grants) due to the use of the equity method of accounting for government grants recognized in profit or loss under IAS 20. The amount of adjustment is UAH 30 535 thousand.

- Adjustment of other income for depreciation of fixed assets received for free (acquired on inventory) in the amount of UAH 2 385 thousand, which are recognized in profit or loss in accordance with IAS 20.

- Adjustment of other income and other operating expenses in the amount of UAH 1,003 thousand, which is related to the depreciation and disposal of housing units that are not recognized as assets due to the lack of economic benefits from their use, and which were written off from the balance sheet when preparing the first IFRS consolidated financial statements.

Title of the statement of comprehensive income	Line code	Data from the P (C) BO Report		Transformational notes		M (C) BO Report Data	
		Debit	Credit	Debit	Credit	Debit	Credit
Net income (sales) from sales of products (goods, works, services)	2000		6542154		45335		6587489
Cost of sales (goods, works, services)	2050	6471799		39099		6510898	
<b>Gross:</b>							

income	2090		70355		6236		76591
loss	2095						
Other operating income	2120		199246				199246
Administrative expenses	2130	218319				218319	
Selling expenses	2150	7721				7721	
Other operating expenses	2180	363783		29560	3118	390225	
<b>Financial result from operating activities:</b>							
income	2190						
loss	2195		-320222		-20206		-340428
Income from participation in equity	2200						0
Other financial income	2220		48				48
Other income	2240		44466	33924			10542
Financial expenses	2250	2954				2954	
Other expenses	2270	1374				1374	
<b>Financial result from operating activities:</b>							
income	2290						
loss	2295		-280036		-54130		-334166
Income tax expense (income)	2300	4609			23734		19125
Income (loss) from discontinued operations after tax	2305						
<b>Net financial result:</b>							
income	2350						
loss	2355		-284645		-30396		-315041

5) Adjustment of expenses from income tax due to recognition of IDPs / IDPs for the total amount of UAH 23 734 thousand.

6) Increase of other operating expenses of SE “Zhytomyr Oblavtodor” in the amount of 189 thousand UAH. by recognizing obligations to pay sanctions for court decisions dated 2018.

Transformation of section I articles "Financial results"  
statement of comprehensive income for 2018

Table 13  
thousand UAH.

## 5.2. Disclosure of other operating, financial and other income and expenses of the Company for the reporting year

Indicator name	Income	Costs
<b>1. Other operating income and expenses, including:</b>	<b>199 246</b>	<b>390 225</b>
Operating lease of assets	32 608	10 410



Sale of other current assets	34 228	34 577
Received refunds; recognized penalties	14 002	220 990
Maintenance of housing, communal and socio-cultural objects	3 841	6 381
Charity Assistance and Asset Free / Given	20 267	64
Settlement (write-off) of doubtful and bad debts	28 153	2 842
Other non-productive costs and losses (deficiency and impairment losses, impairment charges, letters of execution, court fees, state duties)	-	13 640
Other operating income and expenses	66 147	101 321
<b>2. Other financial income and expenses, including:</b>	<b>48</b>	<b>2 954</b>
Percentage	-	848
Installment of tax payments	-	2 106
Other financial income and expenses	48	-
<b>3. Other income and expenses</b>	<b>10 542</b>	<b>1 374</b>
Write-off of non-current assets and acquisition of inventory	9 924	1 085
Implementation (write-off) of financial investments	-	-
Income and expenses from non-operating exchange differences	66	43
Other income and expenses	552	246

Table 14  
thousand UAH.

### 5.3. Income tax

Table 15

№	Calculation of expenses (income) from the Company's profit tax for 2018	2017	2018
1	Current tax expense (income)	10 083	4 609
2	Deferred tax expense (income)	(135)	(23 734)
3	Income tax expense (income)	9 948	(19 125)

thousand UAH.

As of the date of transition to IFRS (January 1, 2018), subsidiaries have made adjustments that have affected temporary tax differences and deferred tax recognition. Information on such adjustments and deferred tax related to changes in equity items in the transition of subsidiaries to IFRSs is presented in the table below.

Table 16  
thousand UAH.

№	Name of subsidiary	Deferred tax assets (+) or liabilities (-) by adjustment			Total impact of adjustments on MFN / MFP as of 01.01.18
		Revaluation of fixed assets	Increase in doubtful debt reserve	Increase in security	
1	SE "Vinnytsia Oblavtodor"	0	0	0	0
2	SE "Volyn Oblavtodor "	-48	38	2421	2411
3	SE "Dnipropetrovsk Oblavtodor "	-208	0	1028	820
4	SE "Donetsk Oblavtodor "	3597	33	3543	7173
5	SE "Eksbud"	0	0	0	0
6	SE "Zhytomyr Oblavtodor "	0	0	7274	7274
7	SE "Zakarpattia Oblavtodor "	-303	143	3626	3467
8	SE "Zaporizhia Oblavtodor "	-1990	45	6084	4139
9	SE "Zakhiddorvybukhprom"	0	0	0	0
10	SE "Ivano-Frankivsk Oblavtodor "	-93	449	3024	3380
11	SE "Kyiv Oblavtodor "	0	130	0	130
12	SE "Kyiv Regional Road Administration"	-1154	0	3048	1894
13	SE "Kirovograd Oblavtodor "	-1670	123	17793	16246
14	SE "Lugansk Oblavtodor "	156	4	0	160
15	SE "Lviv road service"	0	0	0	0
16	SE "Lviv Oblavtodor "	-8617	0	0	-8617
17	SE "Mykolaiv Oblavtodor "	-1065	0	589	-476
18	SE "Odesa Oblavtodor "	0	2	299	301
19	SE "Wellness complex "Podillya"	47	0	0	47
20	SE "Boarding house "Dorozhnik"	0	0	0	0
21	SE "Poltava Oblavtodor "	-84	401	2432	2749
22	SE "Rivne Oblavtodor "	-13	162	3186	3335
23	SE "Sumy Oblavtodor "	-699	19	962	282
24	SE "Ternopil Oblavtodor "	-942	111	499	-332
25	SE "Kharkiv Oblavtodor "	-104	99	1418	1413
26	SE "Kherson Oblavtodor "	0	0	0	0
27	SE "Khmelnitsky Oblavtodor"	-1367	0	0	-1367
28	SE "Cherkasy Oblavtodor "	-87	239	8058	8210
29	SE "Chernivtsi Oblavtodor "	102	22	1976	2100
30	SE "Chernihiv Oblavtodor "	1307	969	1986	4262
31	SE "ShRBU-100"	-197	137	697	637
32	Joint-Stock Company "ROADS OF UKRAINE" (management division)	0	0	0	0
	<b>TOTAL</b>	<b>-13432</b>	<b>3127</b>	<b>69942</b>	<b>59636</b>

## Section 6. Other information required to understand the reporting data

## **6.1. Related Party Disclosures**

Related parties are parties, one of which is able to control the other or materially influence the financial and operating decisions of the other party, as defined in IAS 24 Related Party Disclosures. Decisions about which parties are related are made not only on the basis of their legal form, but also on the basis of the nature of the relationship of the related parties.

According to the Resolution of the Cabinet of Ministers of Ukraine No. 221 of February 28, 2002, the founder of the Company is a state represented by the State Agency for Highways of Ukraine (hereinafter referred to as Ukravtodor), which as a supreme body administers. Ukravtodor is a related entity of the Company, and its regional structures - Road Services in the oblasts are the main customers of the Company's road maintenance operations.

The related party's business operations with related parties are carried out at prices established under the rules for determining the cost of road works (JMA) on the basis of tendering procedures and contracts concluded for maintenance of roads. Payments are made in cash after the actual execution of the work within the limits of financing available to the customer. Taking into account the aforementioned, a significant part of the works performed by the enterprises is accepted by the customer with a delay (in the following reporting periods), the customer refuses to timely document the fact of the road works execution during the period of their execution, and requires registration of the relevant primary documents (acts of the so-called KB-2c and certificates KB-3) in the period of funds receipt. In most cases, acts of reconciliation or other documents confirming the presence of accounts receivable from enterprises for such work are not signed by such customers. This approach of the customer to compensation of the cost of the performed works by the Company's subsidiaries leads to financial and economic losses.

The estimated cost of completed, but not accepted by the Regional Road Roads Services as of December 31, 2018 is UAH 397 367 thousand, including:  
- 329 607 thousand UAH. - for works performed for 2018;

- 67 760 thousand UAH. - for works performed in previous years.

## 6.2. Contingent liabilities and unrecognized contractual obligations

Group companies are defendants in various litigation and arbitration cases, which are sued by suppliers and contractors (for late payments and breach of sales contracts), supervisory authorities (for accrual of tax obligations, appeal against claims of the State Audit Office), and other (for damages, etc.).

According to the management of the group companies, their position on these litigations is sufficiently substantiated in law and therefore the final decisions on such issues will not adversely affect the financial position or performance of the group. Accordingly, no consolidated financial statements were prepared to offset such contingent liabilities to suppliers (contractors) and the budget. The following table below provides information on the amounts claimed by group of companies for which there are contingent liabilities as of December 31, 2018.

Information on claims brought against subsidiaries and open enforcement proceedings in which group companies are debtor as of December 31, 2018.

Table 17  
thousand UAH.

№	The Group's enterprise	Amount of debt	The amount of sanctions	The amount of court and enforcement fees	Total
1	SE "Vinnytsia Oblavtodor"	3 557	0	217	3 774
2	SE "Volyn Oblavtodor "	2 064	2 456	41	4 561
3	SE "Dnipropetrovsk Oblavtodor "	43 460	2 619	548	46 627
4	SE "Donetsk Oblavtodor "	1 961	1 439	41	3 441
5	SE "Zhytomyr Oblavtodor "	92	3	2	97
6	SE "Zakarpattia Oblavtodor "	16 166	1 458	296	17 920
7	SE "Zaporizhia Oblavtodor "	3 006	880	60	3 946
8	SE "Kirovograd Oblavtodor "	18 292	5 368	243	23 903
9	SE "Kyiv Regional Road Administration"	42 326	8 338	787	51 451
10	SE "Lugansk Oblavtodor "	12 932	1 876	221	15 029
11	SE "Lviv Oblavtodor "	6 288	192	71	6 551
12	SE "Mykolaiv Oblavtodor "	6 595	0	36	6 631
13	SE "Odesa Oblavtodor "	34 111	4 948	213	39 272
14	SE "Poltava Oblavtodor "	7 318	41	41	7 400
15	SE "Rivne Oblavtodor "	7 976	3 534	171	11 681
16	SE "Sumy Oblavtodor "	185 966	2 301	416	188 683
17	SE "Ternopil Oblavtodor "	12 574	6 634	255	19 463

18	SE "Kharkiv Oblavtodor "	324	638	14	976
19	SE "Kherson Oblavtodor "	24 285	2 511	220	27 016
20	SE "Khmelnitsky Oblavtodor"	44 849	19 136	398	64 383
21	SE "Cherkasy Oblavtodor "	5 608	514	92	6 214
22	SE "Chernivtsi Oblavtodor "	1 103	4	12	1 119
23	SE "Chernihiv Oblavtodor "	28 444	103	290	28 837
24	SE "ShRBU-100"	6 929	1 581	172	8 682
	<b>TOTAL</b>	<b>516 226</b>	<b>66 574</b>	<b>4 857</b>	<b>587 657</b>

Information on the appealed notification-decisions made to the Company by  
MFIs, SFS and other controlling bodies as of December 31, 2018

Table 18  
thousand UAH.

№	The Group's enterprise	Amount of debt	The amount of sanctions	The amount of court fees	Total
1	SE "Volyn Oblavtodor "	7 343	751	1	8 127
2	SE "Dnipropetrovsk Oblavtodor "	13 856	0	117	13 973
3	SE "Donetsk Oblavtodor "	2 492	77	0	2 569
4	SE "Zhytomyr Oblavtodor "	32 798	8 154	104	41 056
5	SE "Zakarpattia Oblavtodor "	17 015	17 266	381	34 662
6	SE "Zaporizhia Oblavtodor "	19 788	0	0	19 788
7	SE "Ivano-Frankivsk Oblavtodor "	27 924	0	12	27 936
8	SE "Kirovograd Oblavtodor "	59 372	4 650	279	64 301
9	SE "Kyiv Regional Road Administration"	13 810	1 211	400	15 421
10	SE "Lugansk Oblavtodor "	4 335	0	0	4 335
11	SE "Mykolaiv Oblavtodor "	6 311	0	0	6 311
12	SE "Odesa Oblavtodor "	71 601	40 476	6	112 083
13	SE "Poltava Oblavtodor "	17 223	0	0	17 223
14	SE "Rivne Oblavtodor "	25 174	5 122	6	30 302
15	SE "Sumy Oblavtodor "	1 415	1 120	49	2 584
16	SE "Ternopil Oblavtodor "	28 937	0	0	28 937
17	SE "Kharkiv Oblavtodor "	23 919	32	569	24 520
18	SE "Kherson Oblavtodor "	10 265	1 369	187	11 821
19	SE "Khmelnitsky Oblavtodor"	3 054	818	16	3 888
20	SE "Cherkasy Oblavtodor "	43 435	5 027	591	49 053
21	SE "Chernivtsi Oblavtodor "	74	7	0	81
22	SE "Chernihiv Oblavtodor "	22 681	1 259	10	23 950
23	SE "Vinnytsia Oblavtodor"	2 549	1 131	66	3 746
24	SE "Lviv Oblavtodor "	32	148	2	182
25	SE "ShRBU-100"	2 312	0	0	2 312
	<b>TOTAL</b>	<b>457 715</b>	<b>88 618</b>	<b>2 796</b>	<b>549 161</b>

Information on penalties (inflation), inflation, penalties, 3% per annum and court fee reimbursement, listed above in the tables, are classified by the Company as contingent liabilities, which are regularly assessed by the Company's management to determine whether the disposal of resources is probable, which

translate into economic benefits. If the management of a Company is highly likely to estimate the future economic benefits of a court case that have previously been considered a contingent liability, such litigation or other current liabilities (when a judgment becomes legal) are recognized during that reporting period.

### **6.3. Disclosure of risks and threats posed by the assets of the Group's entities and their ability to continue to function**

The consolidated financial statements of the Company have been prepared on the assumption that it will continue to operate in the future, which involves the realization of assets and the fulfillment of obligations in the ordinary course of business. Thus, the consolidated financial statements do not contain any adjustments to the reflected amounts of assets that would be required if the Company were unable to continue in business in the future. At the same time, the Company deems it appropriate to disclose information about the risks and limitations known at the time of disclosure, as described below.

#### **1) Restrictions related to the lack of reliable financial information about the status of assets, capital and liabilities of group companies located in the temporary occupied territory and / or the territory of the counter-terrorist operation.**

Due to the temporary occupation by the Russian Federation of the Autonomous Republic of Crimea, the Company has ceased its activities in the region and does not exercise control over the Group's enterprises located in the territory, namely: SE "Krymavtodor" and SE "Sevastopol Upordor".

According to Article 1 of the Law of Ukraine "On Ensuring the Rights and Freedoms of Citizens and the Legal Regime in the Temporarily Occupied Territory of Ukraine", a temporarily occupied territory is an integral part of the territory of Ukraine to which the Constitution and the laws of Ukraine apply. According to the clarification from the State Treasury Agency received from the State Treasury Service of Ukraine (letter dated April 30, 2014 No. 17-08 / 426-10442), the

legislative grounds for making changes to the account of state-owned objects that are temporarily occupied territories missing.

We also note that in connection with the conduct of hostilities in the territory of Donetsk and Lugansk region, SE "Donetsk Oblavtodor" and SE "Lugansk Oblavtodor" lost control of part of the assets and their holders (branches).

Branches of SE "Lugansk Oblavtodor" located in the area of ATO (OOS) and at the occupied territories in Lugansk region of Ukraine:

- Branch of «Anthracite DED»;
- Branch of “Krasnodon RAD”;
- Branch of the |Lutuginsk RAD”;
- Branch of "Perevalsky RAD”;
- Branch of “Sverdlovsky RAD”;
- Branch of "Slovianoserbsky RAD”;
- Branch of «Lugansk DED».

Branches of SE "Donetsk Oblavtodor" located in the area of ATO (OOS) and at the occupied territories in Donetsk region of Ukraine:

- Branch "Novoazovsky Avtodor”;
- Branch “Telmanov Autodor”;
- Branch of “Khartsyzsk Autodor”;
- Branch of “Shakhtar Avtodor”;
- part of the branch of “Avtodor Number 3”;
- Debaltsivka section of the branch "Artemivska DED”;
- Branch of “Mariinsky Autodor”.

The management of these enterprises of the Group does not have information about the presence of the property of the above-mentioned branches and their status. Following the stabilization of the situation in these regions, the enterprises of the group will carry out a comprehensive inventory of the property in order to determine the losses from force majeure and to adjust production and accounting processes.

According to the Decree of the Cabinet of Ministers of Ukraine dated December 29, 2014 No. 718 "On Amendments to the Financial Reporting Procedure", annual financial statements provide information on assets that cannot be accessed safely and unobstructed, and liabilities and equity that are cannot be documented due to lack of access to relevant primary accounting records and records, is reported by accounting records.

The Company's management emphasizes the significant uncertainty associated with the lack of reliable financial information required to reflect the assets, liabilities and capital of these subsidiaries, as well as the ability to control the aforementioned portions of subsidiaries.

In accordance with IFRS 10 "Consolidated Financial Statements", an investor, regardless of the nature of its participation in an entity (an investee), determines whether it is a parent by assessing whether it controls the investee. At the same time, the Company does not have the authority over the above investment objects and, accordingly, does not have the ability to exercise such rights to influence the results of their activities. Therefore, in accordance with paragraph 7 of IFRS 10, subsidiaries (their subsidiaries) located in the temporarily occupied territory and area of the CAB are not under the control of the Company at the date of preparation and submission of the consolidated financial statements.

The management of the Company, in accordance with IFRS 10, in carrying out the procedure of consolidation of the balance sheet items of subsidiaries located in the temporarily occupied territory and individual branches located in the area of the CAB, decided to display them in accordance with the accounting data of the parent company - as part of other long-term financial investments. In the preparation of the Company's consolidated financial statements, the consolidation procedures have not been applied to such articles. The total carrying amount of such assets as of December 31, 2018 is UAH 99 065 thousand.

In addition, the balance sheet items of the SE "Lugansk Oblavtodor" reflect the value of assets of the branches of "Svativsky RAD" and "Stanichno-Lugansk RAD", for which it was impossible to make an inventory due to the lack of the



possibility of their physical conversion and inspection (inaccessibility in the land mine clearance), as evidenced by official documents of the competent authorities (expert opinions, inspection acts, etc.). According to item 8 of the Regulations on inventory of assets and liabilities, approved by the order of the Ministry of Finance of Ukraine No. 879 of 02.09.2014, enterprises located in the territory of conducting anti-terrorist operation conduct inventory when it is possible to provide safe and unimpeded access to assets, primary documents and accounting records.

***2) Information on restrictions on the use of property related to his arrest, bankruptcy, reorganization or other actions or transactions***

Table 19  
thousand UAH.

Name of the Group enterprise	Amount of money arrested	Additional Information
SE "Vinnytsia Oblavtodor"	57	Private enterprise "Valdez" Order No. 32/185 of 26.11.2009, issued by: Economic Court of Kyiv 829030 UAH. ID # 22346038 the identifier is missed
SE "Zhytomyr Oblavtodor "	205	State Fiscal Service in Zhytomyr region, collection order
SE "Rivne Oblavtodor "	32 836	Compulsory Enforcement Division of the Judgment of the Internal Affairs of Ukraine in Rivne Oblast, summary enforcement proceeding № 4243745 from 05.01.2016
SE "Zaporizhia Oblavtodor "	30 756	According to the Summary Execution Proceedings №39951778
SE "Ivano-Frankivsk Oblavtodor "	11 981	According to the summary enforcement proceedings, according to the resolution of 22.09.2014 and 20.10.2015
SE "Kirovograd Oblavtodor "	16 025	Summary enforcement proceeding № 27768899
SE "Lviv Oblavtodor "	11 281	Executive proceedings
SE "Poltava Oblavtodor "	42 646	Executive proceedings
SE "Sumy Oblavtodor "	146	Executive proceedings
SE "Ternopil Oblavtodor "	50 812	Summary enforcement proceedings №36035661 from 15.01.13. An arrest was made on all accounts of Oblavtodor and affiliates
SE "Cherkasy Oblavtodor "	11 581	Arrest under order of 06.11.2015 p., Executive proceeding № 48817312

SE "Chernivtsi Oblavtodor "	7	Order on the seizure of the debtor's funds, Executive proceeding №45565760 from 23.03.2015, subject to the enforcement fee and the cost of enforcement 4363537,99 uah.
SE "ShRBU-100"	597	Summary enforcement proceedings No. 49718217
SE "Kharkiv Oblavtodor "	55	Executive Proceedings No. 50549780
<b>TOTAL:</b>	<b>208 985</b>	-

### 3) Tax risks

Due to insufficient and untimely financing of works performed on maintenance of highways of state importance, the Group enterprises incur tax debts on value added tax, personal income tax, single social contribution and other taxes and fees, and therefore there are significant risks of applying penalties and penalties to companies for breach of deadlines for payment of agreed tax liabilities, late registration of tax invoices and occurrence additional financial expenses when making decisions on installments of tax payments.

Penalties and penalties for which no tax notices have been received at the balance sheet date are recognized by the Group's entities as a follow-up to expenses and payments, as management estimates them as existing legal obligations due to past events (breach of tax law). Information on such security is provided in section 4.4. Notes.

The financial information on the appealed decisions of the fiscal authorities on the calculation of taxes, fees and penalties (penalties) is presented in the consolidated financial statements, depending on the assessment by the management of the enterprises of the group (legal services) the likelihood of making a positive decision, namely: at low probability, security was accrued ( 4.5 Notes); when estimating probability as high information, it is included in contingent liabilities (paragraph 6.2 of the Notes).

Thus, the Company's management emphasizes the existence of high fiscal risks in the Company and its subsidiaries, which in the future may have a significant negative impact on their financial and economic activities and the ability to properly perform the statutory functions in the road sector.

#### **6.4. Influence of inflation on monetary articles**

The management of the Company has analyzed the indicators given in subparagraphs (c) and (d) of paragraph 3 of IAS 29 regarding the compliance of the country's economy with the conditions of hyperinflation and assessed the economic situation in Ukraine as not corresponding to the situation characterized by hyperinflation. In view of the above, the Company's management has decided not to restate the 2018 financial statements in accordance with IAS 29.

#### **6.5. Events after the balance sheet date**

There are no events after the balance sheet date in accordance with the principles set out in IAS 10 for events after the balance sheet date, events that require adjustments to the Company's assets and liabilities.

**Acting Chairman of the Board \_\_\_\_\_ Kosinski R.**

**Chief Accountant \_\_\_\_\_ Bilokon N.**