

Public joint stock company
"Ukrainian Railway"

Consolidated financial statements

*As at 31 December 2015
with independent auditors' report*

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Public joint stock company "Ukrainian railway"

We have audited the accompanying consolidated financial statements of Public joint stock company "Ukrainian railway" and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(continued on the next page)

Basis for Qualified Opinion

- (i) As disclosed in Note 2 to the consolidated financial statements, certain assets of the Group are located in, or otherwise associated with the Autonomous Republic of Crimea and certain territories of Donetsk and Lugansk regions temporarily not controlled by the Ukrainian authorities. As a result, we were unable to obtain sufficient appropriate audit evidence in respect of the carrying values of assets of UAH 15,526,087 thousand and UAH 12,497,694 thousand as at 31 December 2015 and 2014, respectively, liabilities of UAH 6,808,383 thousand and UAH 8,005,084 thousand as at 31 December 2015 and 2014, respectively, revenues of UAH 3,218,506 thousand and UAH 7,060,725 thousand for 2015 and 2014, respectively, and loss of UAH 3,441,570 thousand and UAH 3,660,673 thousand for 2015 and 2014, respectively, as well as in respect of increase in retained earnings of UAH 4,536,104 thousand recognised in the statement of changes in equity for 2015 as a result of the reorganisation as disclosed in Note 15 to the consolidated financial statements.
- (ii) As disclosed in Notes 9 and 15 to the consolidated financial statements the Group changed its accounting policy for property, plant and equipment from cost to revaluation model starting from 1 December 2015. Carrying value of property, plant and equipment was determined based on the revaluation results as at 31 July 2014 performed for statutory purposes adjusted for depreciation and movements in property, plant and equipment for the periods since revaluation, which is not fair value as at 1 December 2015. Such approach is not in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IAS 16, Property, Plant and Equipment. Had the Group continued to follow cost model for its property, plant and equipment, carrying value as at 31 December 2015 would have been UAH 60,796,658 thousand.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph (i) and except for the effects of the matter described in the Basis for Qualified Opinion paragraph (ii) the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Group incurred a net loss of UAH 16,781,920 thousand for the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by UAH 18,398,790 thousand. We further draw attention to Note 16 in the consolidated financial statements which indicates that the Group breached certain undertakings under its loan arrangements as at 31 December 2015 and as at the date of approval of the consolidated financial statements, the Group has not completed its negotiations with the lenders on reaching a mutually acceptable restructuring agreement with respect to its borrowing facilities. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

(continued on the next page)

REPORT ON THE SUPPLEMENTARY FINANCIAL INFORMATION

Our audit was conducted for the purposes of expressing an opinion on the consolidated financial statements taken as a whole. Statutory reporting forms accompanying these consolidated financial statements which have been disclosed as supplementary financial information are presented for the purpose of compliance with statutory reporting requirements and are not within the scope of IFRS. Such supplementary financial information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph (i) and except for the effects of the matter described in the Basis for Qualified Opinion paragraph (ii) has been properly prepared, in all material respects, in relation to the Group's consolidated financial statements taken as a whole.

Ernst & Young Audit Services

29 June 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

(in thousands of Ukrainian Hryvnia)

	Notes	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	9	259,312,989	62,352,975
Financial assets	10	150,559	186,986
Taxes receivable, other than income tax	14	679,873	544,369
Deferred tax asset	19	555,400	4,024,519
		<u>260,698,821</u>	<u>67,108,849</u>
Current assets			
Inventories	11	5,140,361	3,012,930
Trade and other receivables	12	1,662,074	699,686
Prepayments	13	264,397	232,663
Prepaid income tax		620,156	309,235
Taxes receivable, other than income tax	14	456,379	271,375
Cash and cash equivalents		<u>4,884,908</u>	<u>2,038,008</u>
		<u>13,028,275</u>	<u>6,563,897</u>
Total assets		<u>273,727,096</u>	<u>73,672,746</u>
Equity and liabilities			
Equity			
Charter capital	15	229,879,115	18,640,130
Additional capital	15	19,597,430	-
(Accumulated deficit) / retained earnings	15	<u>(31,237,446)</u>	<u>9,129,169</u>
		<u>218,239,099</u>	<u>27,769,299</u>
Non-current liabilities			
Interest-bearing loans and borrowings	16	21,168,008	5,729,683
Finance lease liability	17	960,331	1,801,722
Employee benefit liability	18	1,899,361	1,912,649
Deferred tax liability	19	33,232	15,337
		<u>24,060,932</u>	<u>9,459,391</u>
Current liabilities			
Interest-bearing loans and borrowings	16	20,810,905	25,358,013
Finance lease liability	17	1,077,380	1,612,718
Trade and other payables	20	6,232,816	6,134,291
Advances from customers		1,864,075	2,380,542
Income tax payable		45,308	77,037
Taxes payable, other than income tax	21	580,573	444,790
Provisions	22	816,008	436,665
		<u>31,427,065</u>	<u>36,444,056</u>
Total liabilities		<u>55,487,997</u>	<u>45,903,447</u>
Total equity and liabilities		<u>273,727,096</u>	<u>73,672,746</u>

Signed and authorised for release on behalf of Public joint stock company "Ukrainian Railway" on 29 June 2016 by:

Chief Executive Officer



Wojciech Balczun

Member of the board



Olexandr Y. Buzhor

Chief accountant,
Head of Central Finance and Economic Department


Tamara S. Ryabchun

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia)

	Notes	2015	2014
Revenues			
Cargo revenues		49,099,196	39,308,797
Passenger revenues		5,997,799	5,254,805
Other revenues		5,028,603	4,892,017
Total revenues		60,125,598	49,455,619
Operating expenses			
Staff costs		(22,398,887)	(22,754,713)
Depreciation		(7,036,204)	(5,630,858)
Maintenance		(5,325,991)	(5,339,710)
Electricity		(6,505,173)	(5,189,089)
Fuel		(5,873,984)	(4,943,837)
Taxes, other than income tax	23	(1,225,945)	(1,076,716)
Social expenses		(428,355)	(508,250)
Revaluation decrease	9	(4,783,345)	-
Change in provisions	22	(142,329)	(414,840)
Other income		975,933	701,757
Other expenses		(1,593,335)	(1,084,242)
Total operating expenses		(54,337,615)	(46,240,498)
Operating profit		5,787,983	3,215,121
Finance income	24	299,171	50,082
Finance costs	24	(5,125,715)	(3,703,546)
Foreign exchange loss, net	25	(13,905,165)	(14,243,398)
Loss before income tax		(12,943,726)	(14,681,741)
Income tax expense	19	(3,838,194)	(762,061)
Loss for the year		(16,781,920)	(15,443,802)
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation surplus	9	199,071,113	-
Remeasurement (losses)/gains on defined benefit plans, net of tax	18	(7,683)	36,770
Other comprehensive income for the year, net of tax		199,063,430	36,770
Total comprehensive income/(loss) for the year, net of tax		182,281,510	(15,407,032)

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia)

	Notes	Charter capital	Other additional capital	Revaluation reserve	Retained earnings	Total equity
At 1 January 2014		18,640,806	-	-	24,572,762	43,213,568
Loss for the period		-	-	-	(15,443,802)	(15,443,802)
Other comprehensive income		-	-	-	36,770	36,770
Total comprehensive loss		-	-	-	(15,407,032)	(15,407,032)
Changes in the Group composition	15	(676)	-	-	(262)	(938)
Transfer of property, plant and equipment from entities under common control	15	-	-	-	138,381	138,381
Dividends	15	-	-	-	(174,680)	(174,680)
At 31 December 2014		18,640,130	-	-	9,129,169	27,769,299
Loss for the period		-	-	-	(16,781,920)	(16,781,920)
Other comprehensive income		-	-	199,071,113	(7,683)	199,063,430
Total comprehensive income		-	-	199,071,113	(16,789,603)	182,281,510
Dividends	15	-	-	-	(343,991)	(343,991)
Reorganisation		211,238,985	19,597,430	(199,071,113)	(23,233,021)	8,532,281
At 31 December 2015		229,879,115	19,597,430	-	(31,237,446)	218,239,099

The accompanying notes form an integral part of the consolidated statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia)

	Notes	2015	2014
Cash flows from operating activities			
Loss before income tax		(12,943,726)	(14,681,741)
<i>Adjustments to reconcile profit before income tax to net cash provided by operations</i>			
Depreciation		7,036,204	5,630,858
Revaluation decrease	9	4,783,345	-
Finance costs, net	24	4,826,544	3,653,464
(Loss)/gain on disposal of property, plant and equipment		(10,027)	429,975
Movements in defined benefit liability and provisions		(128,580)	(9,107)
Allowance for estimated irrecoverable amounts		380,165	161,812
Unrealised foreign exchange loss, net		14,032,747	14,211,814
Operating profit before working capital changes		17,976,672	9,397,075
<i>Changes in working capital</i>			
Trade and other receivables		(416,098)	(339,050)
Prepayments		(190,515)	61,137
Inventories		(1,665,838)	921,778
Taxes receivable and prepaid, other than income tax		(221,896)	245,818
Trade and other payables		650,178	(1,365,080)
Advances from customers		(658,749)	696,119
Taxes payable, other than income tax		257,299	250,432
Cash generated from operating activity		15,731,053	9,868,229
Income tax paid		(714,868)	(602,433)
Interest paid		(3,997,394)	(3,012,111)
Dividends paid	15	(238,745)	(180,890)
Net cash flows from operating activities		10,780,046	6,072,795
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,623,755)	(4,145,903)
Proceeds from disposal of property, plant and equipment		15,852	308,136
Net cash movement on deposit accounts		-	2,957
Interest received		46,404	16,401
Cash received as result of Reorganisation		68,195	-
Net cash flows used in investing activities		(3,493,304)	(3,818,409)
Cash flows from financing activities			
Proceeds from Interest-bearing loans		740,530	9,980,485
Repayment of Interest-bearing loans		(2,491,445)	(10,814,097)
Proceeds from domestic bonds		-	3,323,107
Repayment of domestic bonds		(581,733)	(1,760,589)
Repayment of finance lease obligations		(2,284,130)	(1,603,717)
Net cash flows used in financing activities		(4,616,778)	(874,811)
Net increase in cash and cash equivalents		2,669,964	1,379,575
Net foreign exchange difference		176,936	14,874
Cash and cash equivalents at 1 January		2,038,008	643,559
Cash and cash equivalents at 31 December		4,884,908	2,038,008

The accompanying notes form an integral part of the consolidated statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure

Creation and operations of the Company

Public joint stock company "Ukrainian Railway" (JSC "Ukrzaliznytsia" or "the Company") was registered on 21 October 2015 and started economic activities since 1 December 2015.

JSC "Ukrzaliznytsia" was created as a result of reorganization through merger of public service railway enterprises and institutions ("the Reorganisation"). Substantially all assets and liabilities of entities previously subordinated to and effectively controlled by State Administration of Railway Transport of Ukraine (SART "Ukrzaliznytsia", together - "Previous Group") which were previously included in the combined financial statements of SART "Ukrzaliznytsia" were transferred to the Company. Branches of JSC "Ukrzaliznytsia" were created on the basis of assets and liabilities of entities subject to the Reorganisation.

Besides the entities included in the combined financial statements some health care institutions were merged into JSC "Ukrzaliznytsia". In addition, 100% of corporate rights of seven closed joint stock companies owned by the State were included in the charter capital of JSC "Ukrzaliznytsia". Details of the Reorganisation are disclosed in Note 15.

Management believes that besides the change of legal form of entities subject to reorganization, there were no significant changes in the substance of economic activities, qualitative and quantitative characteristics of assets and liabilities. The Company is considered as a continuation of the Previous Group.

The Reorganisation was defined by management as a reorganization under common control. Accordingly to respective accounting policies the Reorganisation was presented in the consolidated financial statements using pooling of interest method prospectively from the date when changes related to the Reorganisation became effective. The consolidated financial statements includes financial statements of JSC "Ukrzaliznytsia" and its subsidiaries ("the Group") from 1 December 2015 to 31 December 2015 and combined financial statements of the Previous Group from 1 January 2015 to 30 November 2015 and for the year ended 31 December 2014.

Principal activities of the Group are services for cargo and passengers railway transportation, access to the railway infrastructure, logistics, repairs and maintenance of rolling stock.

The Company is recognized a natural monopoly in the area of access to public service infrastructure for railway transportation and maintenance of railway transportation control function.

Corporate information

The sole shareholder of JSC "Ukrzaliznytsia" is the State of Ukraine represented by the Cabinet of Ministers of Ukraine. Management functions for the Company's corporate rights are assigned to the Cabinet of Ministers of Ukraine. Before the Reorganisation State Administration of Railway Transport of Ukraine and other entities of the Previous Group were subordinated to the Ministry of Infrastructure of Ukraine as assigned by the Cabinet of Ministers of Ukraine.

The registered address of JSC "Ukrzaliznytsia" is 5, Tverska St., Kyiv 03680, Ukraine.

Entities included in the consolidated financial statements

The Reorganisation allowed preparing consolidated financial statements instead of combined financial statements starting from 1 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure (continued)

Below is presented the list of entities financial statements of which are included in the consolidated financial statements for the month beginning on 1 December 2015 and as at 31 December 2015.

	<i>Share as at 31 December 2015</i>
1 Public joint stock company "Ukrainian Railway"	Parent
2 Private joint-stock company "Dnipropetrovsk Diesel Locomotive Repair Plant"	100%
3 Private joint-stock company "Zaporizhzhya Electric Locomotive Repair Plant"	100%
4 Private joint-stock company "Lviv Locomotive Repair Plant"	100%
5 Private joint-stock company "Kyiv Electrical Carriage-Repair Plant named after the January uprising of 1918"	100%
6 Private joint-stock company "Transsignal Kyiv Electrical Engineering Plant"*	100%
7 Private joint-stock company "Korosten Plant Of Railway Sleepers"	100%
8 Private joint-stock company "Hnivan Special Reinforced Concrete Plant"	100%
* As at 31 December 2015 the corporate rights of Private joint-stock company "Transsignal Kyiv Electrical Engineering Plant" were not yet transferred to JSC "Ukrzaliznytsia".	

Below is presented the list of significant entities financial statements of which are included in the combined financial statements for period from 1 January 2015 to 30 November 2015 and as at and for the year ended 31 December 2014.

Managing entity

1 State Administration of Railway Transport of Ukraine (Ukrzaliznytsia)	State Enterprise
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Railways

2 Donetsk Railway	State Enterprise
3 Lviv Railway	State Regional Specialised Association
4 Odesa Railway	State Enterprise
5 Prydniprovskaya Railway	State Enterprise
6 South-Western Railway	State Regional Specialised Association
7 Southern Railway	State Enterprise

Auxiliary services

8 Ukrspetsvagon	State Enterprise
9 Ukrainian State Center for Railways Refrigerator Transportation "Ukrreftrans"	State Enterprise
10 Ukrainian State Center for Transportation Service "Lisky"	State Enterprise
11 Darnytsky Carriage Repair Plant	State Enterprise
12 Main Information Processing Center of Ukrzaliznytsia	State Enterprise
13 Central Communications Station	State Enterprise
14 Ukrainian State Clearing Center for International Transportation	State Enterprise
15 Ukrzaliznychpostach	State Enterprise
16 Ukrainian Center for Railroad Mechanisation	State Enterprise
17 Rava-Rusky Sleeper Plant	State Enterprise
18 Ukrainian transport logistics center	State Enterprise
19 Ukrainian railway high-speed company	State Enterprise
20 Vinnytsiatranspylad	State Enterprise
21 Stryysky Carriage Repair Plant	State Enterprise
22 Starokonstantynovsky Concrete Sleeper Plant	State Enterprise
23 Administration for Industrial Enterprises	State Enterprise

As stated above as a result of the Reorganisation assets and liabilities of the entities of the Previous Group formed the basis for creation of branches of JSC "Ukrzaliznytsia". Details of inclusion in the consolidated financial statements of assets, liabilities, results of operations related to the temporarily occupied territory of the Autonomous Republic of Crimea and non-controlled territory of Donetsk and Lugansk regions are presented in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

1. Description of business and the Group's structure (continued)

Pricing policy

Cargo and passenger transportation in Ukraine is a natural monopoly and is subject to the following tariffs regulations:

Tariffs for domestic cargo transportation – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine and the Ministry of Finance of Ukraine. The tariffs are denominated in Ukrainian Hryvnia and are subject to inflation adjustments in line with a change in consumer prices. There were several adjustments to the tariff rates during the years 2015-2014.

Tariffs for domestic transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine as agreed with the Ministry of Economic Development and Trade of Ukraine. The tariffs are denominated in Ukrainian Hryvnia. During the year ended 31 December 2015 there were no changes to the tariff rate. There were increases in tariffs in 2014.

Tariffs for international cargo transportation – regulated by special Tariff Policy annually approved by the Ministry of Infrastructure of Ukraine based on intergovernmental agreements. Tariffs are denominated in Swiss Francs.

Tariffs for international transportation of passengers and baggage – approved by the Ministry of Infrastructure of Ukraine, denominated in Swiss Francs for the countries of the Commonwealth of Independent States, Latvia, Lithuania, Estonia and in Euro for transportation in other countries.

2. Operating environment, risks and economic conditions in Ukraine

The Group conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

In 2015, Ukrainian political and economic situation continued to deteriorate significantly. The political and social unrest, which began in late 2013 and developed in 2014, combined with regional tensions led to the temporary occupation of the Autonomous Republic of Crimea by the Russian Federation, full-fledged armed confrontations with separatists in certain parts of the Donetsk and Lugansk regions and, ultimately, to the significant deterioration of the political and economic relations of Ukraine with the Russian Federation. These factors have contributed to the decline of key economic indices, increase of the state budget deficit, depletion of the NBU's foreign currency reserves and, as a result, further downgrading of the Ukrainian sovereign debt credit ratings.

From 1 January 2015 and up to the date of the issuance of these consolidated financial statements, the Ukrainian Hryvnia (the "UAH") depreciated against major foreign currencies by approximately 58% calculated based on the National Bank of Ukraine (the "NBU") exchange rate of UAH to US dollar. The NBU continues to extend previously imposed restrictions on purchase of foreign currencies, cross border settlements (including payment of dividends), and also mandated obligatory conversion of foreign currency proceeds into UAH.

The known and estimable effects of the above events on the financial position and performance of the Group in the reporting period have been taken into account in preparing the consolidated financial statements. Specific effects of the temporarily occupation of the territory of the Autonomous Republic of Crimea and the ongoing armed confrontations in certain parts of Donetsk and Lugansk regions are disclosed below in this note.

The Crimean authorities declared Crimean Direction of Prydniprovskaya Railway a separate State Company "Crimean Railways". Crimean Direction contributed 0.7% to the Group's revenues during the year ended 31 December 2014. Besides, social infrastructure assets of other railway entities are located in the temporarily occupied territory of the Autonomous Republic of Crimea. As at the date of the consolidated financial statements, the carrying value of the Group's assets and liabilities located in or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea (including customers, borrowers, etc.) was UAH 1,182,515 thousand (0.4% of total assets) and 185,104 thousand, respectively. As a result of the Reorganization the assets and liabilities related to the temporarily occupied Autonomous Republic of Crimea were transferred to the Company at the carrying values as per related separate financial statements as at 31 March 2014 (Note 15). When the temporary occupation is ceased these assets and liabilities will be revalued and contributed to the Company's Charter capital, except for a portion of property, plant and equipment, that will be transferred under the title of operating control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

In the second half of 2014 as a result of the armed confrontations the Ukrainian authorities lost control over certain territory of Donetsk and Lugansk regions where some structural units of State Enterprise "Donetsk Railway" operated. As a result of the Reorganization the assets and liabilities of structural units of SE "Donetsk Railway" located on the uncontrolled territory of Donetsk and Luhansk regions were transferred to the Company at the carrying values as per related separate financial statements as at 30 June 2014 (Note 15).

Due to the lack of updated official financial information received from the structural units, located at the uncontrolled territory, as the result of the Reorganization the non-monetary assets and liabilities of these structural units and some monetary assets and liabilities that the Group cannot control, were included in the consolidated financial statements at the carrying values as per separate financial statements of SE "Donetsk Railway" as at 30 June 2014. Financial obligations, such as interest-bearing loans and borrowings, as well as obligations under finance leases in which the Group acts as a party to the contractual relationship or able to obtain financial information from third parties, were recorded at carrying amounts as at 31 December 2015 and 2014. The results of operations of these structural units, which were included in the combined financial statements for the year ended 31 December 2014 and for the nine months ended 30 September 2015, have not been revised when included in the consolidated financial statements after the Reorganization, since during the second half of 2014 and in 2015 a large portion of the operations of structural units located on the uncontrolled territory has been transferred and accounted by the Regional division "Donetsk Railway" of JSC "Ukrzaliznytsya". The differences that have arisen due to the Reorganization as a result of inclusion in the consolidated financial statements of balance sheet items that do not correspond to the period of activity, were recorded directly in equity in the effect of the Reorganization.

After regaining control the assets and liabilities relating to uncontrolled territory of Donetsk and Luhansk regions will be revalued and contributed to the Company's Charter capital, except for a portion of property, plant and equipment, that will be transferred under the title of operating control.

Management has no information which would have enabled to assess possible adjustments to the carrying values of property, plant and equipment, inventories or other assets as a result of armed confrontations on the uncontrolled territory.

Regional division "Donetsk Railway" of JSC "Ukrzaliznytsya" (before the Reorganisation - State Enterprise "Donetsk Railway") contributed 5.4% to the Group's revenues during the year ended 31 December 2015. As at that date the carrying value of the Group's assets located in or otherwise associated with the Donetsk Railway (including customers, borrowers, etc.) was UAH 14,343,572 thousand (5.2% of total Group's assets).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

The summarised financial information of Donetsk Railway included into the consolidated financial statements of the Group as at and for the year ended 31 December 2015 and 2014 is presented below:

Statement of financial position of Donetsk Railway

	2015	2014
Assets		
Non-current assets		
Property, plant and equipment	12,499,602	8,639,380
Intangible assets	79	
Financial assets	43,455	92,286
Deferred tax asset	-	572,009
	<u>12,543,136</u>	<u>9,303,675</u>
Current assets		
Inventories	597,498	446,362
Trade and other receivables	468,792	205,693
Trade and other receivables from Group entities	541,416	1,238,159
Prepayments	41,870	54,451
Prepaid income tax	29,519	79,046
Taxes receivable, other than income tax	8,658	29,093
Cash and cash equivalents	112,683	32,650
	<u>1,800,436</u>	<u>2,085,454</u>
Total assets	<u>14,343,572</u>	<u>11,389,129</u>
Equity and liabilities		
Equity		
Charter capital	-	2,887,853
Retained earnings	7,720,293	661,280
	<u>7,720,293</u>	<u>3,549,133</u>
Non-current liabilities		
Interest-bearing loans and borrowings	-	1,055,004
Finance lease liability	188,000	149,210
Employee benefit liability	310,930	310,930
	<u>498,930</u>	<u>1,515,144</u>
Current liabilities		
Interest-bearing loans and borrowings	4,549,651	4,930,921
Finance lease liability	644,821	499,729
Trade and other payables	658,615	476,576
Trade and other payables to Group entities	239	218,461
Advances from customers	177,326	85,577
Taxes payable, other than income tax	93,697	113,588
	<u>6,124,349</u>	<u>6,324,852</u>
Total liabilities	<u>6,623,279</u>	<u>7,839,996</u>
Total equity and liabilities	<u>14,343,572</u>	<u>11,389,129</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Statement of comprehensive income of Donetsk Railway

	<u>2015</u>	<u>2014</u>
Revenues		
Cargo revenues	2,811,419	5,655,775
Passenger revenues	64,128	345,004
Other revenues	217,216	376,457
Revenue from Group entities	125,743	333,529
Total revenues	<u>3,218,506</u>	<u>6,710,765</u>
Operating expenses		
Staff costs	(1,932,105)	(3,682,507)
Depreciation	(741,564)	(710,034)
Maintenance	(216,663)	(567,978)
Electricity	(392,119)	(674,125)
Fuel	(576,140)	(712,461)
Taxes, other than income tax	(49,379)	(75,296)
Social expenses	(14,803)	(114,630)
Other income	60,376	21,688
Other expenses	(275,508)	(151,412)
Total operating expenses	<u>(4,137,905)</u>	<u>(6,666,755)</u>
Operating (loss)/profit	(919,399)	44,010
Finance income	40,266	36,574
Finance costs	(554,453)	(698,582)
Foreign exchange loss, net	(1,434,123)	(3,029,361)
Loss before income tax	<u>(2,867,709)</u>	<u>(3,647,359)</u>
Income tax (expense)/benefit	(573,861)	16,217
Loss for the year	<u>(3,441,570)</u>	<u>(3,631,142)</u>
Total comprehensive loss for the year, net of tax	<u>(3,441,570)</u>	<u>(3,631,142)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Statement of cash flow of Donetsk Railway

	2015	2014
Cash flows from operating activities		
Loss before income tax	(2,867,709)	(3,647,359)
<i>Adjustments to reconcile loss before income tax to net cash provided by operations</i>		
Depreciation	741,564	710,034
Finance costs, net	514,187	662,008
Loss on disposal of property, plant and equipment	22	140,240
Unrealised foreign exchange loss, net	1,434,123	2,928,527
Operating profit before working capital changes	(177,813)	793,450
<i>Changes in working capital</i>		
Trade and other receivables	504,578	857,924
Prepayments	12,581	11,410
Inventories	(142,773)	141,833
Taxes receivable and prepaid	91,933	21,099
Trade and other payables	480,999	(237,803)
Advances from customers	(30,273)	(112,883)
Taxes payable, other than income tax	107,445	86,757
Cash generated from operating activity	846,677	1,561,787
Income tax paid	-	(74,336)
Interest paid	(606,437)	(654,129)
Dividends paid	-	(18,423)
Net cash flows from operating activities	240,240	814,899
Cash flows from investing activities		
Acquisition of property, plant and equipment	-	(177,849)
Proceeds from disposal of property, plant and equipment	-	29,004
Interest received	10	2,893
Net cash flows used in investing activities	10	(145,952)
Cash flows from financing activities		
Proceeds from Interest-bearing loans	-	1,455,086
Repayment of Interest-bearing loans	(110,217)	(1,818,670)
Proceeds from domestic bonds	-	280,000
Repayment of domestic bonds	(50,000)	(500,000)
Repayment of finance lease obligations	-	(70,368)
Net cash flows used in financing activities	(160,217)	(653,952)
Net increase in cash and cash equivalents	80,033	14,995
Cash and cash equivalents at 1 January	32,650	17,655
Cash and cash equivalents at 31 December	112,683	32,650

Despite the armed confrontations management was able to secure certain level of railway operations at the uncontrolled territories. Management supports the official position of the Ukrainian authorities that the uncontrolled territories will be reintegrated to Ukraine.

The Government has committed to direct its policy towards the association with the European Union, to implement a set of reforms aiming at the removal of the existing imbalances in the economy, public finance and public governance, and the improvement of the investment climate. Stabilisation of the Ukrainian economy in the foreseeable future depends on the success of the actions undertaken by the Government and securing continued financial support of Ukraine by international donors and international financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

2. Operating environment, risks and economic conditions in Ukraine (continued)

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effects to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Group's financial position and performance in a manner not currently determinable.

Going concern

The Group operations were significantly impacted by the deterioration of the operating environment referred to above. The Group's net loss for the year ended 31 December 2015 amounted to UAH 16,781,920 thousand (2014: UAH 15,443,802 thousand). As at 31 December 2015, the Group's current liabilities exceeded its current assets by UAH 18,398,790 thousand (2014: UAH 29,880,159 thousand). As at 31 December 2015 the Group did not comply with certain undertakings under its long-term loan agreements and failed to remediate the breaches before the reporting date. Such default have triggered a cross default of under certain other borrowings. Therefore, the lenders became entitled to request accelerated repayment of interest-bearing borrowings with carrying value of UAH 5,787,070 thousand as at 31 December 2015. The non-current portion of borrowings under these agreements of UAH 4,808,105 thousand as at 31 December 2015, was reported in these consolidated financial statements within current liabilities.

In April 2015 the Government of Ukraine included the debt related to the Eurobonds issue in the list of external debt subject to restructuring with the support of the Government. In March 2016 the Group completed restructuring of the debt related to the Eurobonds issue of USD 500,000 thousand. To avoid the breach of Eurobonds restructuring agreement the Group should complete the restructuring of the substantially all debt by mid-August 2016.

In May 2015 the Group reported suspension of principal debt repayment to Ukrainian domestic lenders. Such breach of undertakings has triggered a cross-default under certain other loan agreements. The Group began debt restructuring negotiations with the international and domestic lenders. During 2015 the Group has signed debt restructuring agreements with certain domestic lenders and is continuing negotiations for the remaining domestic debt as at the date of authorisation of these consolidated financial statements.

After the reporting period the Government approved the increase in the cargo transportation tariffs by 15% effective from 30 April 2016. This measure is expected to contribute to the improvement of operating results and financial position of the Group.

The Group's management believes that: (i) negotiations with both domestic and international lenders will be successfully completed in the nearest future, as the lenders are not interested in accelerating repayment of debts and due to the support of the Government; (ii) the Government will continue supporting the Group through increase in transportation tariffs or through other means; (iii) the Group is able to generate additional cash flows from its operating activities to finance net working capital deficit through cost reduction measures, and (iv) the Group may release additional cash flows by capping capital expenditures in case needed, without short-term negative effects on operations.

The success of the management plan to achieve further profitable operations with sufficient cash flows and the actual outcome of the restructuring of the remaining debt are not virtually certain. These conditions represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

3. Basis of preparation

The consolidated financial statements have been prepared on historical cost basis, except for and property, plant and equipment carried at revalued amounts, post-employment benefits measured in accordance with the requirements of IAS 19 *Employee Benefits*, certain financial instruments measured in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. These consolidated financial statements are presented in Ukrainian Hryvnia ("UAH") thousands and all values are rounded off to the nearest thousand except where otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

3. Basis of preparation (continued)

Statement of compliance

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

Basis of consolidation and combination

Financial statements of entities of the Group and the Previous Group were prepared on the same reporting period using consistent accounting policies. Adjustments are made to align any dissimilar accounting policies that may exist. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date the Company obtains control over them and continue to be consolidated until the date that such control ceases.

The initial combination of the Previous Group has been made using the pooling of interests method as if the entities of the Previous Group have always been together but not earlier than the entities were acquired under common control. The Charter capital of the Previous Group combines the registered capital of State Administration of Railway Transport of Ukraine and other entities of the Previous Group.

4. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as at 1 January 2015:

- IAS 19 *Defined Benefit Plans: Employee Contributions* – amendments to IAS 19;
- annual improvements 2010-2012 cycle, referred to: IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 8 *Operating Segments*, IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, IAS 24 *Related Party Disclosures*;
- annual improvements 2010-2013 cycle, referred to: IFRS 3 *Business Combinations*, IFRS 13 *Fair Value Measurement*, IAS 40 *Investment Property*.

The adoption of the standards or interpretations is described below.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 cycle

With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. This amendment is not relevant for the Group as it does not undertake share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

4. Changes in accounting policy (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. The Group did not record any business combination during the reporting period.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. Segment assets and segment liabilities are not reported for the purpose of decision making.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the the Group's financial statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group is not a joint arrangement, and thus this amendment is not relevant for the Group.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39 if applied). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The Group did not record any business combination during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

5. Significant accounting judgments, estimates and assumptions

According to IAS 1 *Presentation of Financial Statements*, the Group accounts for and presents transactions and other events in accordance with their substance and economic reality and not merely their legal form.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. These estimates are based on information available as at the end of the reporting period. Actual results could differ from these estimates. The key judgments, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that represents a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

Judgments

Assets assigned under the title of operating control

Certain items of property, plant and equipment were assigned to the Company under the title of operating control (Note 9). The title of operating control allows to possess and use the assets, disposal (write-off, sale, etc.) of the assets should be authorized by the owner (the State). The Company maintains a separate accounting for these assets and uses them in its economic activity. There are no specific restrictions on the use of revenues derived from those assets, although the Company maintains their proper functionality at its own cost.

The items of the property, plant and equipment assigned to the Company under the title of operating control meet the definition of property, plant and equipment as they are used in the economic activities for more than one period. These items are included in the relevant groups of property, plant and equipment.

Accounting for assets and liabilities that are not controlled by Group

Consolidated financial statements include the assets and liabilities located or otherwise associated with the temporarily occupied territory of the Autonomous Republic of Crimea, as well as with uncontrolled territory of Donetsk and Luhansk regions. Further details on the accounting approach for these items is provided in Note 2.

The above approach is based on the regulatory framework related to these assets and liabilities, issued by relevant State authorities. Therefore, it was considered during the preparation of the consolidated financial statements.

Impairment of property, plant and equipment

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. This assessment implies significant judgments. Given the adoption of the revaluation model of accounting for property, plant and equipment since 1 December 2015 (Note 9) management has not identified indicators of impairment of property, plant and equipment and has not performed an impairment test as at 31 December 2015.

Estimates

Allowance for doubtful debts

The allowance for doubtful debts is estimated by management using the best information available as to the creditworthiness of its customers as at the end of the reporting period. However, the actual recoverability of receivables may differ from those estimations made by management.

Estimates of the useful lives of property, plant and equipment

Significant management judgment is required to determine the estimated useful lives of items of property, plant and equipment. The actual useful lives may vary from the management estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

5. Significant accounting judgments, estimates and assumptions (continued)

Defined benefit liability

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, staff turnover, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the yield of government bonds because there is no deep market in corporate bonds in Ukraine. Due to the long term nature of these plans, the estimates are subject to significant uncertainty. Further details are given in Note 18.

Provisions

The Group has recognised provisions for obligations related to legal claims. The amount of the provision represents the management's best estimates of expected future cash outflows discounted at a current pre-tax rate, where appropriate.

Deferred tax asset recoverability

Deferred tax assets are recognised to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future level of tariffs and sales volumes, prices for consumables and operating costs. Judgments are also required about the application of income tax legislation. These judgments and estimates are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised at the reporting date. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the income statement.

6. Summary of significant accounting policies

Foreign currency translation

The functional and presentation currency of the Group is the Ukrainian Hryvnia. This is the currency of the primary economic environment in which the Group operates. Transactions denominated in currencies other than the functional currency (foreign currencies) are initially recorded in the functional currency at the rate at the date of the transaction as established by the National Bank of Ukraine ("NBU"), which is deemed to approximate the prevailing market rate. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of the reporting period. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in the profit or loss within the statement of comprehensive income.

Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-assess this designation at each financial year-end.

The Group has not designated any financial instruments at fair value through profit or loss, neither as held-to-maturity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Property, plant and equipment

When state enterprise is reorganized into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Since the Reorganization is considered to be a continuation of the Group as a single economic entity Management decided to show the effect of the revaluation of the property, plant and equipment by the change of accounting policy from cost model to revaluation model. During the year ended 31 December 2015, the Company adopted the revaluation model of accounting for property, plant and equipment.

Property, plant and equipment is carried in the consolidated financial statements at revalued amounts, which is their fair value at the date of revaluation, performed by professional appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When no market values are available, fair value of specialized property, plant and equipment is determined by using depreciated replacement cost approach. Fair values of other items of property, plant and equipment are determined by reference to market-based evidence, which are the amounts for which the assets could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction as at the valuation date. Prior to revaluation, property, plant and equipment were stated at cost or deemed cost at the date of transition to IFRS (further referred as "cost"), excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost included the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria were met.

Revaluations of property, plant and equipment are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increase in carrying amount of property, plant and equipment arising on revaluation is recorded as the increase in revaluation reserve in equity, except for reversal of previous revaluation decrease that relate to this particular item and that was previously recognised as an expense. In this case, the increase in value is recognised as income in the consolidated statement of profit and loss and other comprehensive income within the previous decrease. Decrease in carrying amount of property, plant and equipment as a result of revaluation is recognised as an expense except to the extent it offsets an existing revaluation reserve (if any) on the same asset recognised as a result of previous revaluations. The decrease is reflected directly in equity within revaluation reserve to the extent of existing revaluation surplus on the same asset.

On the subsequent sale or retirement of revalued property, plant and equipment, the attributable revaluation reserve included in equity is transferred directly to retained earnings.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that can be allocated to a separate depreciation period. Overhaul costs also represent a component of an asset. Major spare parts and stand-by equipment qualify as property, plant and equipment when they are expected to be used during more than one period.

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the profit or loss within the statement of comprehensive income as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Estimates of remaining useful lives are made on a regular basis with annual reassessments for major items. Changes in estimates are accounted for prospectively. Depreciation commences when an item is available for use. Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

<i>Group</i>	<i>Useful lives</i>
Buildings, constructions and infrastructure	9-80 years
Subgrade and superstructure	6-83 years
Locomotives	5-32 years
Railway cars	5-45 years
Plant, equipment, tools and other	3-30 years
Vehicles	3-18 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss within the statement of comprehensive income in the year the item is derecognised.

Social assets

Included in property, plant and equipment are social infrastructure and other non-production assets (hereinafter referred to as the "social assets"). Management believes that expenditures incurred in respect of acquisition or construction of such assets qualify for the recognition as an asset on the premises that such expenditures are capable of contributing indirectly to the flow of cash and cash equivalents to the Group through a reduction of cash outflows related primarily to wages and salaries expenses. As such non-production assets are employed by the Group to provide in-kind benefits to its employees in addition to wages and salaries paid in cash.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations on a non-revalued asset are recognised in the profit or loss within the consolidated statement of comprehensive income. However, an impairment loss on a revalued asset is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Inventories

Inventories primarily consist of spare parts, materials, tools and fuel. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the FIFO (first-in, first-out) method. Net realisable value is determined as the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Borrowing costs

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset, otherwise they are recognised as an expense when incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term, highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risks of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are recognised and initially measured at fair values less directly attributable transaction costs. Subsequently, trade and other payables are carried at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case Group also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss within the statement of comprehensive income.

Impairment of financial assets

The Group assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost that would have been at the reversal date, had the impairment not been recognized.

Available-for-sale financial assets

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss – is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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6. Summary of significant accounting policies (continued)

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation (either based on legal regulations or implied) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities and assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Employee benefits

The Group makes defined contributions to the Ukrainian state pension funds at the relevant statutory rates in force during the year, based on gross salary payments. The Group has no legal or constructive obligations to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. Such contributions are expensed in the period when the related salaries are earned.

In addition, the Group has a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the current and former employees who are eligible for early retirement benefits due to working in hazardous and/or unhealthy working conditions. The Group has also contractual obligation to pay lump-sum payments to the retiring employees with the long service, certain post retirement and post employment benefits, as well as other long-term employee benefits such as jubilee and long service benefits, etc. according to collective agreements. These obligations fall under definitions of a defined benefit plan.

Government grants

Government grants contributed towards the acquisition of property, plant and equipment are deducted from the cost of those assets where there is reasonable assurance that the grants will be received and all attached conditions will be complied with.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, and involves assessment whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. In other case capitalised leased assets are depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition

Revenues are recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of revenues can be measured reliably.

Revenues and expenses are accounted for at the time the actual flow of related goods and services occurs and transfer of risks and rewards has been completed, regardless of when cash or its equivalent is received or paid, and are reported in the statement of comprehensive income in the period to which they relate.

Transportation services

In respect of services related to cargo and passenger transportation, revenue is recognised by reference to the stage of completion of the transportation at the end of the reporting period provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. The stage of completion is determined based on a duration or transportation completed to date to total duration of transportation.

Any amounts, which have been collected from the clients in advance to deliveries, initiated and not completed as at the date of these consolidated financial statements are reported in the consolidated statement of financial position as advances received for transportation. The amount of these liabilities is reduced for the amount of revenues recognised by reference to the stage of completion of the delivery.

Interest and similar income and expense

Interest income and expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of such an instrument, taking into consideration all contractual terms of the instrument.

Exchange of services of similar nature and value

The Group's transportation and other services provided to foreign railways are settled through mutual offset arrangements with its counterparties. Generally, the settlement is made in exchange for services of similar nature and value which is not regarded as a transaction which generates revenue. Such transactions are accounted on a net basis.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

6. Summary of significant accounting policies (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added tax

Revenues, expenses and assets are recognised net of the amount of Value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- receivables, payables and finance lease liability are stated with the amount of VAT included.

The net amount of VAT receivable from, or payable to, the taxation authority is included into the *Taxes receivable, other than income tax / Taxes payable, other than income tax* line items disclosed on the face of the consolidated statement of financial position.

Events after the reporting period

Events after the reporting period that provide additional information on the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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7. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards when they become effective. Management currently assesses the impact of adoption of these standards and interpretations on the consolidated financial statements of forthcoming periods.

Standard	Pronouncement	Effective date
IFRS 9 <i>Financial Instruments</i>	Replacement of IAS 39, applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39.	Annual periods beginning on or after 1 January 2018
IFRS 14 <i>Regulatory Deferral Accounts</i>	Original issue. Permits an IFRS first-time adopter to continue to account certain items in accordance with its previous GAAP.	Annual periods beginning on or after 1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	Replacement of IAS 18, the principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.	Annual periods beginning on or after 1 January 2017
IFRS 11 <i>Joint Arrangements</i>	Amendments in accounting for acquisitions of interests in a joint operation.	Annual periods beginning on or after 1 January 2016
IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i>	Amendments resulting from annual improvements 2010-2012 cycle: revaluation method-proportionate restatement of accumulated depreciation.	Annual periods beginning on or after 1 January 2016
IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i>	Amendments change the accounting requirements for biological assets that meet the definition of bearer plants.	Annual periods beginning on or after 1 January 2016
IAS 27 <i>Separate Financial Statements</i>	Amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	Annual periods beginning on or after 1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>	Amendments relate to sale or contribution of assets between an investor and its associate or joint venture	Annual periods beginning on or after 1 January 2016
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Amendments resulting from annual improvements 2012-2014 cycle: changes in methods of disposal.	Annual periods beginning on or after 1 January 2016
IFRS 7 <i>Financial Instruments: Disclosures</i>	Amendments resulting from annual improvements 2012-2014 cycle: applicability of the amendments to IFRS 7 to condensed interim financial statements.	Annual periods beginning on or after 1 January 2016
IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interest in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>	Amendments resulting from annual improvements 2012-2014 cycle: applying the <i>Consolidation Exception</i> .	Annual periods beginning on or after 1 January 2016
IAS 19 <i>Employee Benefits</i>	Amendments resulting from annual improvements 2012-2014 cycle: discount rate, regional market issue.	Annual periods beginning on or after 1 January 2016
IAS 34 <i>Interim Financial Reporting</i>	Amendments resulting from annual improvements 2012-2014 cycle: disclosure of information 'elsewhere in the interim financial report'.	Annual periods beginning on or after 1 January 2016
IAS 1 <i>Presentation of Financial Statements</i>	Amendments resulting from annual improvements 2012-2014 cycle: information disclosure initiatives	Annual periods beginning on or after 1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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8. Segment reporting

For management purposes, the Group is organized into business units based on their services, and has five reportable operating segments:

- *Cargo segment* includes cargo transportation services provided by the Group.
- *Long-distance passenger transportation reportable operating segment* comprises all cross-regional passenger transportation services provided by the Group.
- *Suburban passenger transportation segment* includes intraregional rail passenger transportation services.
- *Auxiliary operations segment* include repair and maintenance of rolling stock, energy re-sale, construction and other services provided by the Group's entities.
- *All other segments* include activities of the Group's entities which provide services related to cargo, suburban passenger transportation, construction, reconstruction and modernisation of railways and railway transport infrastructure, repair and maintenance of different railway-related equipment and other companies within the Group. None of these operations are of sufficient size to be reported separately. None of these operations can be aggregated with reportable operating segments described above due to dissimilar economical characteristics.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on the basis of segment operating profit or loss determined based on management accounts that differ from IFRS consolidated financial statements for the reason that the management accounts are based on local GAAP figures. The operating segments results do not include the effects of some adjustments that may be considered necessary to reconcile the management accounts to IFRS consolidated financial statements.

Substantially all of the Group's operating assets are located and most of the services are provided in Ukraine.

Segment revenue is revenue that is directly attributable to a segment, whether from sales to external customers or from transactions with other segments. Segment revenue does not include:

- interest income;
- foreign exchange gains;
- gain on disposal, change in fair value and reversal of impairment of financial assets;
- gain on disposal of property, plant and equipment;
- other income.

Segment expenses is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments.

Segment expense does not include:

- interest expense;
- foreign exchange losses;
- loss on disposal, change in fair value and impairment of financial assets;
- loss on disposal of property, plant and equipment;
- loss on impairment of property, plant and equipment;
- contributions to finance activities of trade union, pension funds; membership in professional organizations;
- bank charges;
- income tax expense;
- doubtful debts expenses;
- social expenses;
- maintenance;
- other expenses.

Segment result is measured as segment revenue less segment expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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8. Segment reporting (continued)

<i>Year ended 31 December 2015</i>	<i>Cargo</i>	<i>Long- distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Unallocated</i>	<i>Eliminations (A)</i>	<i>Adjustments (B)</i>	<i>Total</i>
Sales to third parties	49,373,085	5,430,070	586,488	5,267,577	345,406	-	-	(877,028)	60,125,598
Inter-segment sales	-	-	-	3,245,508	625,903	-	(3,871,411)	-	-
Total revenue	49,373,085	5,430,070	586,488	8,513,085	971,309	-	(3,871,411)	(877,028)	60,125,598
Staff costs	(12,109,565)	(3,858,422)	(1,917,686)	(2,994,746)	(507,163)	(1,233,745)	-	222,440	(22,398,887)
Depreciation	(5,100,915)	(1,324,417)	(618,905)	(1,273,592)	(102,479)	(74,400)	-	1,458,504	(7,036,204)
Electricity	(4,318,131)	(1,037,225)	(585,214)	(449,021)	(87,453)	(28,129)	-	-	(6,505,173)
Fuel	(3,945,467)	(735,751)	(491,055)	(637,715)	(57,537)	(6,459)	-	-	(5,873,984)
Segment result	23,899,007	(1,525,745)	(3,026,372)	3,158,011	216,677	(1,342,733)	(3,871,411)	803,916	18,311,350

<i>Year ended 31 December 2014</i>	<i>Cargo</i>	<i>Long- distance passenger</i>	<i>Suburban passenger</i>	<i>Auxiliary activity</i>	<i>All other segments</i>	<i>Unallocated</i>	<i>Eliminations (A)</i>	<i>Adjustments (B)</i>	<i>Total</i>
Sales to third parties	38,558,829	4,766,319	455,820	5,310,096	444,485	-	-	(79,930)	49,455,619
Inter-segment sales	-	-	-	1,122,756	541,018	-	(1,663,774)	-	-
Total revenue	38,558,829	4,766,319	455,820	6,432,852	985,503	-	(1,663,774)	(79,930)	49,455,619
Staff costs	(11,708,581)	(3,954,450)	(1,811,672)	(3,078,850)	(534,000)	(1,326,532)	-	(340,628)	(22,754,713)
Depreciation	(3,748,019)	(1,392,685)	(632,359)	(1,247,533)	(110,915)	(73,958)	-	1,574,611	(5,630,858)
Electricity	(3,557,361)	(902,186)	(463,562)	(207,706)	(30,547)	(27,727)	-	-	(5,189,089)
Fuel	(3,230,421)	(639,472)	(447,179)	(559,805)	(57,953)	(9,007)	-	-	(4,943,837)
Segment result	16,314,447	(2,122,474)	(2,898,952)	1,338,958	252,088	(1,437,224)	(1,663,774)	1,154,053	10,937,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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8. Segment reporting (continued)

(A) Inter-segment revenue and margins are eliminated on consolidation.

(B) The operating results of each operating segment does not include the following adjustments representing differences between management accounts and financial statements prepared in accordance with IFRS for the year ended 31 December:

	2015	2014
Recognition of revenue in appropriate period	284,244	564,128
Settlements with foreign railways	(1,161,272)	(644,058)
	(877,028)	(79,930)
Correction of bonuses and unused vacation expenses accrual	493,352	83,320
Correction of defined benefits obligation expenses	(270,912)	(423,948)
Depreciation expenses adjusted as the result of different carrying values of property, plant and equipment in IFRS and management information	1,458,504	1,574,611
Total adjustments to income before taxation	803,916	1,154,053
Reconciliation of profit:		
	2015	2014
Segment results	22,721,578	12,884,067
Total adjustments due to differences in accounting policies adopted for management accounts and IFRS	803,916	1,154,053
Total unallocated amounts	(1,342,733)	(1,437,224)
Inter-segment sales (elimination)	(3,871,411)	(1,663,774)
<i>Items not included in segment expenses</i>		
Maintenance	(5,325,991)	(5,339,710)
Taxes, other than income tax	(1,225,945)	(1,076,716)
Social expenses	(428,355)	(508,250)
Revaluation decrease	(4,783,345)	-
Change in provisions	(142,329)	(414,840)
Other income	975,933	701,757
Other expenses	(1,593,335)	(1,084,242)
Finance income	299,171	50,082
Finance costs	(5,125,715)	(3,703,546)
Foreign exchange loss, net	(13,905,165)	(14,243,398)
Group loss before income tax	(12,943,726)	(14,681,741)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

9. Property, plant and equipment

	<i>Land</i>	<i>Buildings, constructions and infra- structure</i>	<i>Subgrade and superstructure</i>	<i>Locomotives</i>	<i>Railway cars</i>	<i>Plant, equipment, tools and other</i>	<i>Vehicles</i>	<i>Construction in progress and uninstalled equipment</i>	<i>Total</i>
Cost / revalued amount									
At 1 January 2015	-	27,537,551	19,594,752	24,944,113	21,001,498	18,939,054	1,869,442	4,691,980	118,578,390
Additions	-	-	-	-	-	-	-	3,689,021	3,689,021
Reorganisation (Note 15)	-	3,375,359	(67,591)	68,817	4,920,064	1,791,234	34,945	932,832	11,055,660
Revaluation	45,647,046	49,681,355	67,836,900	5,727,940	20,959,127	5,480,383	2,640,144	1,098,218	199,071,113
Elimination of accumulated depreciation against cost	-	(6,586,011)	(7,162,163)	(12,994,547)	(13,955,000)	(8,497,638)	(856,980)	-	(50,052,339)
Transfers	-	515,400	406,581	694,382	814,046	579,232	81,930	(3,091,571)	-
Disposals	-	(2,849)	-	(4,718)	(11,881)	(5,094)	(61)	(1,690)	(26,293)
At 31 December 2015	45,647,046	74,520,805	80,608,479	18,435,987	33,727,854	18,287,171	3,769,420	7,318,790	282,315,552
Accumulated depreciation									
At 1 January 2015	-	8,783,121	8,179,210	13,924,776	14,741,473	9,565,550	1,031,285	-	56,225,415
Depreciation charge	-	1,184,410	1,594,353	1,166,784	1,611,892	1,296,759	241,209	-	7,095,407
Reorganisation (Note 15)	-	3,288,331	322	108,398	5,665	1,526,447	37,144	-	4,966,307
Elimination of accumulated depreciation against cost	-	(6,586,011)	(7,162,163)	(12,994,547)	(13,955,000)	(8,497,638)	(856,980)	-	(50,052,339)
Revaluation decrease	-	1,029,771	580,794	473,024	186,085	446,020	36,601	2,031,050	4,783,345
Disposals	-	(1,168)	-	(4,448)	(8,165)	(1,730)	(61)	-	(15,572)
At 31 December 2015	-	7,698,454	3,192,516	2,673,987	2,581,950	4,335,408	489,198	2,031,050	23,002,563
Net book value									
At 1 January 2015	-	18,754,430	11,415,542	11,019,337	6,260,025	9,373,504	838,157	4,691,980	62,352,975
At 31 December 2015	45,647,046	66,822,351	77,415,963	15,762,000	31,145,904	13,951,763	3,280,222	5,287,740	259,312,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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9. Property, plant and equipment (continued)

	<i>Buildings, constructions and infra- structure</i>	<i>Subgrade and superstructure</i>	<i>Locomotives</i>	<i>Railway cars</i>	<i>Plant, equipment, tools and other</i>	<i>Vehicles</i>	<i>Construction in progress and uninstalled equipment</i>	<i>Total</i>
Cost								
At 1 January 2014	26,875,781	18,722,653	23,728,975	20,818,785	18,563,409	1,840,167	4,519,771	115,069,541
Additions	-	-	-	-	-	-	5,027,895	5,027,895
Transfers	800,563	927,677	1,313,780	548,365	725,961	77,253	(4,393,599)	-
Disposals	(138,793)	(55,578)	(98,642)	(365,652)	(350,316)	(47,978)	(462,087)	(1,519,046)
At 31 December 2014	<u>27,537,551</u>	<u>19,594,752</u>	<u>24,944,113</u>	<u>21,001,498</u>	<u>18,939,054</u>	<u>1,869,442</u>	<u>4,691,980</u>	<u>118,578,390</u>
Accumulated depreciation								
At 1 January 2014	7,748,210	7,198,692	12,801,120	14,090,742	8,563,105	946,541	-	51,348,410
Depreciation charge	1,103,808	1,014,125	1,212,590	987,907	1,223,216	116,294	-	5,657,940
Impairment	-	-	-	-	-	-	-	-
Disposals	(68,897)	(33,607)	(88,934)	(337,176)	(220,771)	(31,550)	-	(780,935)
At 31 December 2014	<u>8,783,121</u>	<u>8,179,210</u>	<u>13,924,776</u>	<u>14,741,473</u>	<u>9,565,550</u>	<u>1,031,285</u>	<u>-</u>	<u>56,225,415</u>
Net book value								
At 1 January 2014	<u>19,127,571</u>	<u>11,523,961</u>	<u>10,927,855</u>	<u>6,728,043</u>	<u>10,000,304</u>	<u>893,626</u>	<u>4,519,771</u>	<u>63,721,131</u>
At 31 December 2014	<u>18,754,430</u>	<u>11,415,542</u>	<u>11,019,337</u>	<u>6,260,025</u>	<u>9,373,504</u>	<u>838,157</u>	<u>4,691,980</u>	<u>62,352,975</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

9. Property, plant and equipment (continued)

Revaluation

When state enterprise in reorganized into a joint stock company its assets, including property, plant and equipment, and liabilities have to be valued at fair value. Property, plant and equipment were revalued by an independent appraiser as at 31 July 2014 in accordance with statutory requirements for the formation of the Charter capital. The effect of the revaluation was recognised as at 1 December 2015, the date of the completion of the Reorganization, as adjusted by taking into account the effect of the depreciation of property, plant and equipment before revaluation for the period from 31 July 2014 to 1 December 2015, and movements of property, plant and equipment for the above period.

If property, plant and equipment were measured at cost less any accumulated depreciation and impairment losses, the net book value as at 31 December 2015 would be UAH 60,796,658 thousand.

Group reorganization

The effect of the Group Reorganization includes effects attributable to the addition of health care institutions not previously included in the combined financial statements, as well as effects related to inclusion of subsidiaries 100 percent of the share capital of which was transferred to the charter capital of the Company (Note 15).

Land plots

Land plots include the cost of the rights of permanent use of land plots in the amount of UAH 45,647,046 thousand which was determined on the basis of the revaluation for the purpose of forming the Charter capital (Note 15) separately from objects of property, plant and equipment, which can be located on these plots. The results of such revaluation may differ from the estimates made for the purposes of preparation of the IFRS financial statements.

Management believes that the presentation of the rights of permanent use of land separately from the respective fixed assets in the consolidated financial statements may not be avoided as this presentation is regulated by the legislation on the Reorganization SART UkrZaliznytsia.

Assets assigned under the title of operating control

Certain items of property, plant and equipment, specifically – public service line-haul railroads and engineering constructions, transmission equipment attached thereto, which are directly supporting the transportation process were assigned to the Company under the title of operating control (Note 15). The title of operating control allows to possess and use the assets, disposal of the assets should be authorized by the the owner (the State).

Carrying value of the assets assigned under the title of operating control was UAH 108,473,122 as at 31 December 2015.

Social assets

Included in property, plant and equipment are social infrastructure and other social assets carried at UAH 3,360,888 thousand as at 31 December 2015 (2014: UAH 752,557 thousand), primarily comprising residential buildings and social infrastructure.

Prepayments for property, plant and equipment

As at 31 December 2015 construction in progress contained prepayments for property, plant and equipment in the amount of UAH 21,345 thousand (2014: UAH 183,300 thousand).

Capitalised depreciation charge

The Group capitalised UAH 59,203 thousand of depreciation charge into construction in progress for the year ended 31 December 2015 (2014: UAH 27,082 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

9. Property, plant and equipment (continued)

Fully depreciated assets

As at 31 December 2015 the cost of fully depreciated property, plant and equipment which remain in use amounted to UAH 9,208,078 thousand (2014: UAH 22,241,981 thousand).

Finance lease

As at 31 December 2015 the carrying value of property and equipment held under finance leases amounted to UAH 1,636,288 thousand (2014: UAH 2,262,590 thousand).

During the year ended 31 December 2015 the Group did not acquire property and equipment of under finance lease agreements (2014: UAH 333,333 thousand).

Pledged property, plant and equipment

As at 31 December 2015 certain rolling stock with the carrying value of UAH 259,121 thousand was pledged as collateral for the Group's interest-bearing loans and borrowings (2014: UAH 268,819 thousand) (Note 16).

10. Financial assets

		2015	2014
Long-term portion of receivable from state-owned company			
Vugillya Ukrainy (Note 27)	(i)	-	72,634
Loans due from employees	(ii)	53,432	38,529
Other financial assets		97,127	75,823
		<u>150,559</u>	<u>186,986</u>

- (i) The receivables from the state-owned company Vugillya Ukrainy were initially recognized in 2009, when transportation services were provided. As a result of several litigations the court established a repayment schedule up to 2014. In 2012 the collection terms were rescheduled to 2018 according to the latest court decision. The receivables are carried at amortised cost using the original effective interest rate of 22% per annum. In 2014 the Group recognised interest income of UAH 29,689 thousand. The current portion of the receivables of UAH 162,216 thousand is included in trade and other receivables as at 31 December 2014 (Note 12). For the years ended 31 December 2015 the Group has recorded impairment of long-term and current portion of long-term receivable due from Vugillya Ukrainy.
- (ii) The Group provides long-term interest-free loans to its employees with contractual maturity from 3 to 8 years. Loans are carried at amortised cost using the effective interest rate of 13%-23% per annum. The current portion of the loans of UAH 7,605 thousand (2014: UAH 11,755 thousand) is included in trade and other receivables (Note 12).

11. Inventories

	2015	2014
Spare parts, materials and tools (at cost or net realizable value)	3,939,409	2,116,188
Fuel and lubricants (at cost)	514,316	365,241
Other (at cost)	686,636	531,501
	<u>5,140,361</u>	<u>3,012,930</u>

The amount of write-down of inventories recognised as an expense and included in maintenance expenses in 2015 is UAH 511,202 thousand (2014: UAH 36,815 thousand).

As at 31 December 2015 inventories with carrying value of UAH 111,251 thousand (2014: UAH 111,251 thousand) were pledged as collateral for the Group's interest-bearing loans and borrowings (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

12. Trade and other receivables

	2015	2014
Trade receivables	1,084,646	592,184
Receivables for outstanding contributions	762,691	
Current portion of long-term financial assets	7,605	173,971
Other receivables	373,702	146,804
	<u>2,228,644</u>	<u>912,959</u>
Less: allowance for impairment of trade and other receivables	(566,570)	(213,273)
	<u>1,662,074</u>	<u>699,686</u>

Receivables for outstanding contributions are for corporate rights not contributed to the charter capital of the Company (Note 15).

As at 31 December 2015 current portion of long-term financial assets included short-term portion of loans due from employees. As at 31 December 2014 current portion of long-term financial assets included short-term portion of accounts receivable due from Vugillya Ukrainy and short-term portion of loans due from employees (Note 10).

As at 31 December 2015, trade and other receivables of UAH 566,570 thousand (2014: UAH 213,273 thousand) were impaired and fully provided for. Loss on impairment was included to other expenses in consolidated statement of comprehensive income. The reconciliation of changes in allowance account was as follows:

	2015	2014
At 1 January	213,273	96,071
Arising during the year	379,838	164,479
Utilised	(26,506)	(38,274)
Reversed	(35)	(9,003)
At 31 December	<u>566,570</u>	<u>213,273</u>

As at 31 December the ageing of the Group's trade and other receivables was as follows:

	<i>Neither past due nor impaired</i>	<i>Past due, but not impaired</i>				<i>Total</i>
		<i>Less than 3 months</i>	<i>3-6 months</i>	<i>6-12 months</i>	<i>More than 12 months</i>	
2015	522,908	1,067,572	15,820	55,774	-	1,662,074
2014	311,168	149,867	35,119	203,532	-	699,686

13. Prepayments

	2015	2014
Prepayments for materials and services, net of impairment	263,332	229,875
Dividends prepaid (Notes 15, 27)	1,065	2,788
	<u>264,397</u>	<u>232,663</u>

As at 31 December 2015 prepayments are impaired by UAH 1,425 thousand (2014: UAH 6,336 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

14. Taxes receivable, other than income tax

	2015	2014
VAT receivable	417,034	257,327
Other taxes prepaid	39,352	14,052
	<u>456,386</u>	<u>271,379</u>
Less: allowance for impairment	(7)	(4)
	<u>456,379</u>	<u>271,375</u>

A portion of VAT receivable amounting to UAH 679,873 thousand was classified as non-current asset as at 31 December 2015 as its expected period of recoverability exceeds 12 months (2014: UAH 544,369 thousand).

15. Equity

Charter capital

Since the date of establishment of the Company to 31 December 2015 the Charter capital of the Group was of UAH 229,879,115,000 and was divided into 229,879,115 ordinary nominal shares with a nominal value of UAH 1,000 each.

As at 31 December 2015 and as at the date of authorization of these financial statements, the issuance of the Company's shares was not registered by the National Securities and Stock Market Commission of Ukraine. Management believes that the absence of registration has no significant impact on the Company's activities and that it will be completed in the nearest time.

The Charter capital of the Group as at 31 December 2014 included the statutory capital of the following entities adjusted for effect of hyperinflation under IAS 29 *Financial Reporting in Hyperinflationary Economies* for the periods of hyperinflation from 31 December 1991 up to 31 December 2000:

	2014
Lviv Railway	3,319,711
South-Western Railway	3,164,276
Southern Railway	2,956,000
Prydniprovskaya Railway	2,890,591
Donetsk Railway	2,887,853
Odesa Railway	2,562,567
Ukrspetsvagon	360,000
Ukrainian State Center for Railways Refrigerator Transportation Ukrreftrans	205,518
Ukrainian State Center for Transportation Service Lisky	144,166
Darnytsky Carriage Repair Plant	28,069
Main Information Processing Center of Ukrzaliznytsia	8,506
Other entities	112,873
	<u>18,640,130</u>

The Group reorganization, formation of Charter capital, other additional capital

Public joint stock company "Ukrainian Railway" was established on 21 October 2015, when the state registration of the company was conducted according to the decree of the Cabinet of Ministers of Ukraine dated 2 September 2015 No. 735 *Matters Related to Public Joint Stock Company "Ukrainian Railway"*.

JSC "Ukrzaliznytsya" according to the Law of Ukraine dated 23 February 2012 No. 4442-VI *On Peculiarities of Creation of the Public Joint Stock Company for Public Service Railway Transport* is a legal successor of the State Administration of Railway Transport of Ukraine as well as public service railway enterprises and institutions, which were reorganized through a merger according to the Decree of a Cabinet of Ministers of Ukraine dated 25 June 2014 No. 200 *On Establishment of Public Joint Stock Company "Ukrainian Railway"*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

15. Equity (continued)

The State Administration of Railway Transport of Ukraine "Ukrzaliznytsya" was established in December 1991 as a state body for the purpose of an efficient management of railway transport and meeting the demand for transportation of the national economy and population. Before the Reorganization, public service railway enterprises and institutions were subordinated and effectively controlled by SART "Ukrzaliznytsya".

30 November 2015 is the date of completion of the Reorganization through merger. On this date the acts of property transfer and acceptance and other relevant documents were signed, which in particular, allowed JSC "Ukrzaliznytsya" to commence its economic activities starting from 1 December 2015.

The charter capital of the Group was formed with the following contributions:

- Property (net assets) of The State Administration of Railway Transport of Ukraine as well as public service railway enterprises and institutions, which were formerly subordinated to SART "Ukrzaliznytsya", except for assets, assigned to the Company under the title of operating control and other assets, which according to the legislation, may not be contributed to the Charter capital (primarily, these are assets, located on the temporarily occupied territory of the Autonomous Republic of Crimea and uncontrolled territories of Donetsk and Lugansk regions (Note 1, Note 2 and Note 9).
- 100% of shares owned by the state in the charter capital of seven private joint-stock companies (Note 1).
- Participating shares (stakes) owned by the state in the charter capital of certain companies.
- Title of operating control over property, plant and equipment, specifically – public service line-haul railroads and engineering constructions, transmission equipment attached thereto, which are directly supporting the transportation process (Note 9).
- Rights of permanent use of land plots, provided for placement of SART "Ukrzaliznytsya" as well as to previously subordinated public service railway enterprises and institutions (Note 9).

Property, which is subject to contribution to the Charter capital, was revalued as at 31 July 2014 in accordance with regulatory requirements set for a property valuation upon Charter capital formation.

Apart from net assets of public service railway enterprises and institutions, which were included into the combined financial statements for the year ended 31 December 2014, net assets of certain health care institutions were also included in the Charter capital. Net assets of health institutions totaled to UAH 1,326,408 thousand as at 1 December 2015 and were mainly represented by the property, plant and equipment.

The title of operating control over property, plant and equipment in form of an intangible asset in the amount of UAH 111,188,830 thousand was also contributed to the Charter capital, whilst underlying items of property, plant and equipment in the same amount were assigned to the Company. This property, plant and equipment is included in property, plant and equipment (Note 9) while the title of operating control is accounted off-balance.

Due to objective inability to conduct all necessary standard reorganization procedures (e.g. stock-take), it was not possible to contribute net assets related to the temporarily occupied territory of the Autonomous Republic of Crimea and uncontrolled territories of Donetsk and Lugansk regions to the Charter capital of the Company. Instead, the other additional capital was formed through the contribution of the above net assets. Financial information on the temporarily occupied territory of the Autonomous Republic of Crimea and uncontrolled territories of Donetsk and Lugansk regions is provided in Note 2.

Apart from this, other additional capital was formed through contribution of public residential buildings and civil defense facilities, which can't be transferred to the Charter capital of the Company due to legal restrictions, but are included in the Company's assets; also through contribution of financial lease items; as well as through additions and modernization of property, plant and equipment over a period from the revaluation date of 31 July 2014 till the date of Reorganization completion, as at 30 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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15. Equity (continued)

Unpaid capital

As at 31 December 2015 corporate rights of the following entities were not contributed to the charter capital:

<i>Name of the entity</i>	<i>Share of ownership</i>	<i>Cost</i>
Leasing Company PJSC "Ukrtransleasing"	47.67	658,000
PJSC "Transsignal Kyiv Electrical Engineering Plant"	100	103,481
Insurance Company PJSC "Inter-Policy"	8.16	1,204
PJSC "International transportation company "Ukrzovnishtrans"	25.1	6
		<u>762,691</u>

Respective receivable on the outstanding contribution is disclosed in Note 12.

After the reporting period the corporate rights for Leasing Company PJSC "Ukrtransleasing", JSC "Transsignal Kyiv Electrical Engineering Plant" and JSC "Inter-Policy" have been contributed to the charter capital (Note 30).

Changes in the Group composition in 2014 year

One entity engaged in catering supply on Prydniprovskaya Railway was liquidated during the year ended 31 December 2014. At the date of combination, the Charter capital and the retained earnings of the entity comprised UAH 676 thousand and UAH 262 thousand, respectively.

Transfer of property, plant and equipment from entities under common control

During the year ended 31 December 2014 the Group recognized intangible asset representing the right of permanent use of the land plot of UAH 138,381 thousand. The right was obtained by the Group from the government in the period prior to 2014. In December 2014 the Group performed valuation of the right and recognized it as intangible asset in these consolidated financial statements.

Dividends to the State

Pursuant to the Ukrainian legislation, six railways of the Group are required to make quarterly transfers of dividends to the State in the amount representing 30% of statutory net profits for the respective interim period. Other entities of the Group are required to pay dividends at amount of 15% of statutory net profits for the respective interim period. The final year-end amount of dividends to be paid to the State is determined as 15%-30% of statutory net profits for the reporting year (Note 27). Any difference between cumulative balance of interim dividends and the final amount of dividends determined for the reporting year by individual Group entities is reported as dividends prepaid (Note 13) or payable (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

16. Interest-bearing loans and borrowings

As at 31 December interest-bearing loans and borrowings consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest-bearing bank loans	25,807,195	18,790,848
Eurobonds issued	12,129,288	7,966,369
Bonds issued in domestic markets	3,691,230	4,036,818
Other borrowings	346,487	293,661
Overdrafts	4,713	-
	<u>41,978,913</u>	<u>31,087,696</u>

On 16 May 2013 the Group has issued USD 500,000 thousand of 9.5% notes maturing on 21 May 2018 (the "Eurobonds") on the Irish Stock Exchange. In March 2016 the Group carried restructuring of these Eurobonds including the extension of the maturity to 15 September 2021, increase in interest rate to 9.875% starting from 21 November 2015 and changes in principal repayment schedule – 60% of debt should be paid in 2019, 20% in 2020 and 20% in 2021. To avoid breach of Eurobonds restructuring contract the Group should complete the restructuring of most of its loan commitments to the middle of August 2016.

Domestic bonds are issued and placed in Ukraine. They are denominated in UAH, bear interest of 18.0%-23.5% and mature in 2015-2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

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16. Interest-bearing loans and borrowings (continued)

As at 31 December effective interest rate and currency split for borrowings were as follows:

	<i>Interest rate</i>	<i>2015</i>	<i>2014</i>
USD			
Floating rate	LIBOR 6 month + 1%-6%	5,906,835	4,490,537
Fixed rate	10%-12%	29,593,496	19,537,131
		<u>35,500,331</u>	<u>24,027,668</u>
EUR			
Floating rate	EURIBOR 6m + 6.55%	622,308	766,831
		<u>622,308</u>	<u>766,831</u>
UAH			
Fixed rate	17%-24%	5,856,274	6,293,197
		<u>5,856,274</u>	<u>6,293,197</u>
Total interest-bearing loans and borrowings		41,978,913	31,087,696
Less: current portion		(20,810,905)	(25,358,013)
Interest-bearing loans and borrowings, non-current		<u>21,168,008</u>	<u>5,729,683</u>

Some of the loan agreements provide for financial and non-financial covenants, which impose restrictions on certain transactions and financial ratios, including restrictions of the amount of outstanding debt and profitability of the Group.

As at 31 December 2015 the Group did not comply with certain undertakings under its long-term loan agreements and failed to remediate the breaches before the reporting date. Such default have triggered a cross default of under certain other borrowings. Therefore, the lenders became entitled to request accelerated repayment of interest-bearing borrowings with carrying value of UAH 5,787,070 thousand as at 31 December 2015. Pursuant to the requirements of IAS 1 *Presentation of Financial Statements* the non-current portion of the Group's borrowings under the above mentioned agreements of UAH 4,808,105 thousand as at 31 December 2015, were reported in these consolidated financial statements within current liabilities. In 2015 the Group initiated negotiations and reached certain agreements in respect of restructuring with domestic and international lenders. As at the date of the authorisation of the financial statements the restructuring negotiations with the lenders were continuing.

As at 31 December 2015 undrawn loan facilities available to the Group were of UAH 1,442,272 thousand (2014: UAH 2,521,718 thousand). Following the breaches of undertakings as at 31 December 2015 the access to certain undrawn loan facilities was restricted. Assuming there were no breach, undrawn loan facilities available to the Group would comprise UAH 4,032,232 thousand as at 31 December 2015.

As at 31 December interest-bearing loans and borrowings were secured as follows:

<i>Type of collateral</i>	<i>2015</i>	<i>2014</i>
Property, plant and equipment (Note 9)	259,121	268,819
Inventories (Note 11)	111,251	111,251
Proceeds from future revenue	26,108,391	26,012,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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17. Finance lease liability

The Group leases out freight and passenger railway cars, locomotives and equipment (Note 9). The majority of lease payments are pegged to USD; the average lease term is 7 years. As at 31 December 2015 the interest rates implicit in the lease were within the range of 13.81%-21.1827% per annum.

During the year ended 31 December 2015, the Group did not acquire assets under finance lease agreements. During the year ended 31 December 2014 new electric trains with cost of UAH 333,333 thousand were acquired under finance lease agreements.

In February 2015 terms of two finance lease agreements were substantially amended. As a result of these changes the Group recognised extinguishment of the original liability and recognised a new financial lease liability. The difference between the carrying amount of the extinguished liability and the new liability of UAH 177,294 thousand was presented within financial income in the consolidated statement of comprehensive income.

Principal repayments under finance lease to Ukrainian lessors (unlike foreign lessors) are subject to 20% VAT levied at the payment date. Finance charge is not VAT taxable.

The following are the minimum lease payments and present value of finance lease liability under finance lease agreements:

	<i>Minimum lease payments</i>		<i>Present value of finance lease liability</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Amounts payable under finance leases				
Within one year	1,280,185	1,909,500	1,083,014	1,612,717
In the second to fifth years inclusive	1,135,383	2,218,416	940,599	1,720,840
After five years	15,479	111,026	14,098	80,883
	<u>2,431,047</u>	<u>4,238,942</u>	<u>2,037,711</u>	<u>3,414,440</u>
Less: future finance charges	<u>(393,336)</u>	<u>(824,502)</u>	<u>-</u>	<u>-</u>
	<u>2,037,711</u>	<u>3,414,440</u>	<u>2,037,711</u>	<u>3,414,440</u>
Classified as:				
Current	1,077,380	1,612,718	1,077,380	1,612,718
Non-current	960,331	1,801,722	960,331	1,801,722

18. Employee benefits

The Group's defined benefit obligation relates to:

	<i>2015</i>	<i>2014</i>
Post retirement and post employment benefits under collective agreement	1,071,320	987,150
State plan for additional pensions for working in hazardous and unhealthy working conditions	388,380	416,094
Other long-term benefits under collective agreement	<u>439,661</u>	<u>509,405</u>
	<u>1,899,361</u>	<u>1,912,649</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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18. Employee benefits (continued)

Changes in the net present value of the defined benefit obligation were as follows:

	2015	2014
At 1 January	1,912,649	2,164,563
Interest cost on benefit obligation	248,252	216,875
Current service cost	61,911	64,922
Benefits paid	(220,241)	(344,858)
Remeasurement gains/(losses) in other comprehensive income from:		
- changes in financial assumptions	20,569	(97,332)
- changes in demographic assumptions	2,803	(2,551)
- experience adjustments	(14,003)	55,041
Remeasurement of other long-term employee benefits obligation	(112,579)	(144,011)
At 31 December	1,899,361	1,912,649

The amounts recognised in the consolidated income statement were as follows:

	2015	2014
Current service cost	61,911	64,922
Interest cost on benefit obligation (Note 24)	248,252	216,875
Remeasurement of other long-term employee benefits obligation	(112,579)	(144,011)
	197,584	137,786

Current service cost, past service cost, including their amortization and recognized actuarial gains are included into the staff costs line item in the statement of comprehensive income. Interest cost on benefit obligation included into finance costs. The principal assumptions used in determining defined benefit obligation are shown below:

	2015	2014
Discount rate	17.00%	15.50%
Staff turnover	3.48%	4.20%
Future benefit increase	6.09%	6.88%

The sensitivity analysis is given in the table below:

	Increase/ (decrease) in rate	Effect on defined benefit obligation
2015		
Discount rate	+1%	(87,554)
Discount rate	-1%	95,858
Future benefit increase	+1%	60,111
Future benefit increase	-1%	(54,360)
2014		
Discount rate	+1%	(190,447)
Discount rate	-1%	(2,034)
Future benefit increase	+1%	(50,429)
Future benefit increase	-1%	(153,858)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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18. Employee benefits (continued)

Defined contribution plan

During the year ended 31 December 2015 the expenses from the participation in obligatory state pension program amounted to UAH 6,211,463 thousand (2014: UAH 6,537,874 thousand).

The Group's estimated employer contributions for the year ended 31 December 2016 amounts to UAH 3,775,412 thousand. The reduction in employer contributions is due to changes in legislation. The percentage contributions for obligatory state pension insurance decreased from 37.61 % in 2015 to 22% in 2016.

19. Income tax

The components of income tax expense in the consolidated statement of comprehensive Income were as follows:

	<u>2015</u>	<u>2014</u>
Current income tax charge	349,494	693,728
Deferred income tax expense	3,488,700	68,333
Income tax expense	<u>3,838,194</u>	<u>762,061</u>

During the years ended 31 December 2015 and 31 December 2014, the statutory income tax rate in Ukraine was 18%.

Reconciliation between loss before income tax multiplied by the statutory tax rate and income tax expense for the years ended 31 December consisted of the following:

	<u>2015</u>	<u>2014</u>
Loss before income tax	(12,943,726)	(14,681,741)
At statutory tax rate	(2,329,871)	(2,642,713)
Tax effect of:		
Effect of reassessment of temporary differences	624,042	-
Effect of revaluation of property, plant and equipment for tax purposes	4,221,569	339,991
Effect of change in tax rates (period of recoverability of temporary difference)	-	20,552
Change in unrecognised deferred tax assets	501,815	1,713,365
Other permanent differences	820,639	1,330,866
Income tax expense	<u>3,838,194</u>	<u>762,061</u>

As at the date of Reorganisation property, plant and equipment were revalued for tax purposes and this revaluation is considered to be related to the accounting revaluation. The tax effects of both the revaluation of property, plant and equipment and the adjustment of the tax base were recognised and offset each other in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

19. Income tax (continued)

Deferred tax assets and liabilities comprised:

	<i>Consolidated statement of financial position</i>		<i>Consolidated statement of comprehensive income</i>	
	<i>31 December 2015</i>	<i>31 December 2014</i>	<i>2015</i>	<i>2014</i>
Property, plant and equipment (i)	(93,974)	3,213,515	3,307,489	260,760
Inventories (ii)	87,351	71,904	(15,447)	899
Prepayments (iii)	-	61	61	557
Advances from customers (iii)	(18,100)	(7,820)	10,280	25,962
Trade and other receivables (iv)	30,113	15,668	(14,445)	(14,541)
Trade and other payables (v)	6,448	217,940	211,492	(111,383)
Finance lease liability (vi)	231,651	204,163	(27,488)	(138,415)
Defined benefit liability (vii)	355,769	359,847	4,078	(6,019)
Financial assets (viii)	-	(1,924)	(1,924)	21,157
Interest-bearing loans and borrowings (ix)	2,217,130	1,729,919	(487,211)	(1,684,009)
	<u>2,816,388</u>	<u>5,803,273</u>	<u>2,986,885</u>	<u>(1,645,032)</u>
Less: unrecognised deferred tax assets	(2,280,336)	(1,778,521)	501,815	1,713,365
Deferred income tax expense			<u>3,488,700</u>	<u>68,333</u>
Deferred tax effect of actuarial gain recognised in OCI	(13,884)	(15,570)	(1,686)	8,072
Net deferred tax assets	<u>522,168</u>	<u>4,009,182</u>		
Reflected in the statements of financial position as follows:				
Deferred tax assets	555,400	4,024,519		
Deferred tax liabilities	(33,232)	(15,337)		
Deferred tax assets net	<u>522,168</u>	<u>4,009,182</u>		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

19. Income tax (continued)

Reconciliation of net deferred tax assets:

	2015	2014
Opening balance as at 1 January	4,009,182	4,085,587
Tax expense recognised in profit or loss	(3,488,700)	(68,333)
Tax benefit/(expense) recognised in other comprehensive income	1,686	(8,072)
Closing balance 31 December	522,168	4,009,182

The nature of the temporary differences is as follows:

- (i) property, plant and equipment – differences in depreciation patterns and estimates of the remaining useful lives, differences in capitalisation principles, different cost basis;
- (ii) inventories – differences in inventories valuation models and the periods of recognition;
- (iii) prepayments and advances from customers – differences in period of recognition and valuation principles;
- (iv) trade and other receivables – differences in valuation, including allowances for doubtful receivables, differences in the period of recognition;
- (v) trade and other payables – differences in valuation and recognition principles;
- (vi) financial lease liability – differences in recognition principles;
- (vii) defined benefit liability – differences in recognition principles;
- (viii) financial assets – differences in valuation and recognition principles;
- (ix) interest-bearing loans and borrowings – differences in recognition principles of unrealised foreign exchange loss.

As at 31 December 2015 and 2014 deferred tax assets arising on foreign currency component of interest-bearing loans and borrowings and finance lease liability (resulting from devaluation of Ukrainian Hryvnia) and on allowance for impairment of financial assets were not recognised since their utilisation was not certain.

20. Trade and other payables

	2015	2014
Trade payables	2,589,850	2,952,677
Due to employees	1,747,297	1,408,620
Payables for property, plant and equipment	783,383	963,312
Unused vacation accrual	645,184	551,931
Dividends payable (Notes 15, 27)	167,621	64,105
Other payables	299,481	193,646
	6,232,816	6,134,291

Trade payables are non-interest bearing and are normally settled within 60 days.

21. Taxes payable, other than income tax

	2015	2014
Personal income tax payable	168,703	86,681
VAT payable	331,909	310,714
Other taxes payable	79,961	47,395
	580,573	444,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

22. Provisions

The provisions relate to legal claims. Movement in the provisions for the year was as follows:

	2015	2014
At 1 January	436,665	21,825
Arisen during the year	385,960	436,665
Unused amounts reversed during the year	(6,617)	(21,825)
At 31 December	816,008	436,665

As at 31 December 2014 the Group recognized a provision for the litigation in the amount of UAH 430,048 thousand in respect of a breach of the construction contract (in foreign currency) and revalued this provision in 2015 to UAH 667,062 thousand on the basis of the NBU official exchange rate of Ukrainian Hryvnia against foreign currency. Apart from that, as at 31 December 2015, the Group recognized the provision for litigation with the Antimonopoly Committee of Ukraine in respect of legislation violation on protection of economic competition in the amount of UAH 100,100 thousand and other provisions in amount of UAH 48,486 thousand.

23. Taxes, other than income tax

	2015	2014
Non-recoverable VAT attributable to transit transportation	773,741	737,066
Land tax	363,894	192,475
Other taxes	78,055	106,097
Impairment of VAT receivable	10,255	41,078
	1,225,945	1,076,716

24. Finance income and finance costs

	2015	2014
Interest expense on loans and borrowings	(4,449,371)	(3,052,660)
Finance lease charges	(424,919)	(428,040)
Interest cost on defined benefit obligation (Note 18)	(248,252)	(216,875)
Other finance costs	(3,173)	(5,971)
Total finance costs	(5,125,715)	(3,703,546)
Interest income on deposits	46,404	16,401
Interest income on loans and receivables from related parties (Note 27)	50,453	33,681
Finance income from modification of terms of financial liabilities	177,294	-
Other finance income	25,020	-
Total finance income	299,171	50,082
Net finance costs	(4,826,544)	(3,653,464)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

25. Foreign exchange loss, net

Foreign exchange gains and losses arisen on the following items:

	2015	2014
Gains		
Cash and cash equivalents	307,795	330,222
	<u>307,795</u>	<u>330,222</u>
Losses		
Interest-bearing loans and borrowings	(12,762,338)	(12,602,096)
Finance lease liability	(1,043,993)	(1,756,013)
Trade and other payables	(372,254)	(156,911)
Net loss on sale/purchase of foreign currencies	(34,375)	(58,600)
	<u>(14,212,960)</u>	<u>(14,573,620)</u>
Foreign exchange loss net	<u>(13,905,165)</u>	<u>(14,243,398)</u>

26. Contingencies and commitments

Tax matters

Ukrainian legislation and regulations regarding taxation and other operational matters, including currency exchange control and custom regulations, continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. Management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable. However, where the risk of outflow of resources is probable, the Group has accrued tax liabilities based on management's best estimate.

The uncertainty related to enforcement and application of Ukrainian tax laws creates a risk of substantial additional tax liabilities and penalties being claimed by the tax authorities. Such claims, if sustained, could have a material effect on the Group's financial position, results of operations and cash flows. Management believes that there are strong arguments to successfully defend any such challenge and does not believe that the risk is any more significant than those of similar enterprises in Ukraine. When it is not considered probable that a material claim will arise, no provision has been established in these financial statements.

In the course of its commercial activities the Group has a necessity to reallocate taxable income among the Group companies. Such reallocation involves a significant degree of management's judgment. In spite of the fact that relevant government authorities had not historically challenged the management judgment in these matters, it is possible that the authorities may attempt to revise their previous approach to such transactions, equally as to any other aspects of application of tax legislation not challenged in the past, and assess additional income and other taxes and penalties against the Group, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome.

Litigations

In the normal course of business, the Group is subject to various routine litigation and arbitration related matters. As at 31 December 2015 the Group was involved in litigations with tax authorities with respect to additional accrual of liabilities for corporate income tax, VAT and other taxes in the total amount of UAH 321,880 thousand (2014: UAH 322,346 thousand). In addition, in the normal course of business, the Group is subject to various other routine litigation and arbitration related matters. As at 31 December 2015 the Group's exposure to the ascertained third parties' claims is UAH 244,385 thousand (2014: UAH 255,708 thousand).

Management believes that the Group's position in the litigations stated above has sustainable legal merits, and therefore the ultimate resolution of these litigations will not have an adverse effect on the Group's financial position or the results of its future operations, accordingly, no corresponding accrual was provided in these consolidated financial statements. Probable obligations are accrued for in these consolidated financial statements (Note 22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

26. Contingencies and commitments (continued)

Capital commitments

As at 31 December 2015 the Group's outstanding commitment in respect of purchase of property and equipment amounted to UAH 2,986,521 thousand (2014: UAH 1,971,931 thousand).

27. Related party disclosure

The outstanding balances and transaction with entities under common control of the State, comprised:

	2015	2014
Balances at 31 December		
Prepayments for property, plant and equipment	13	-
Long-term receivable (Note 10)	-	72,634
Other financial assets	10,710	-
Trade and other receivables	90,786	266,647
Prepayments, other than dividends	50,555	9,314
Cash and cash equivalents	3,635,448	916,499
Trade and other payables, other than dividends	7,031	106,208
Advances received	3,626	499,020
Interest-bearing loans and borrowings	883,382	772,877
Transactions during the year		
Cargo revenues	131,273	190,846
Electricity	3,201,725	934,325
Maintenance services purchased	353,101	240,131
Finance income	56,157	44,784
Finance costs	125,721	63,525
Other expenses	306,153	44,579

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at regular prices, broadly similar to those with other non-related customers and suppliers. Outstanding balances at the year-end are unsecured, interest free, except for interest bearing loans. Settlement occurs in cash, except for advances received and prepayments. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2015 the Group has recorded impairment of long-term and current portion of long-term receivable due from Vugillya Ukrainy. Loss on impairment of UAH 234,850 thousand was included to other expenses in interim combined statement of comprehensive income. Each financial year the Group undertakes assessment through examining the financial position of the related party and the market in which the related party operates.

Guarantees issued by the State of Ukraine

As at 31 December 2015 the Group's interest bearing loans with carrying value of UAH 5,906,833 thousand (2014: UAH 3,990,847 thousand) were guaranteed by the State of Ukraine.

Compensation of key management personnel

Before reorganization 11 members of the Board of Ukrzaliznytsia were considered as key management personnel. Starting from 1 January 2015 Management Board of JSC "Ukrzaliznytsia" comprising 3 members and Supervisory Board comprising 7 members were considered as key management personnel. For the years ended 31 December 2015 and 2014, total compensation which includes salaries and salary related taxes amounted to UAH 2,724 thousand and UAH 3,007 thousand, respectively. The members of Supervisory Board are not entitled for compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

27. Related party disclosure (continued)

Dividends to the State

As at 31 December 2015 dividends prepaid to the State in the amount of UAH 1,065 thousand are included in prepayments (2014: UAH 2,788 thousand) (Note 13). As at 31 December 2015 dividends payable to the State in the amount of UAH 167,621 thousand are included in trade and other payables (2014: UAH 64,105 thousand) (Note 20). Dividends for the year ended 31 December 2015 amounted to UAH 343,991 thousand (2014: UAH 174,680 thousand) (Note 15).

Government subsidies

The Group receives subsidies from the State for carriage of certain categories of preferential passengers. In 2015 such subsidies of UAH 182,100 thousand (2014: UAH 165,600 thousand) were included into passenger revenue.

28. Fair value of financial instruments

Set out below is the comparison by category of carrying amounts and fair values of all of the Group's financial instruments, that are carried in the consolidated statement of financial position:

	<i>Fair value</i>		<i>Carrying value</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Financial assets				
Trade and other receivables	1,662,074	699,686	1,662,074	699,686
Other financial assets	150,559	114,352	150,559	114,352
Long-term trade receivable	–	72,634	–	72,634
Cash and cash equivalents	4,884,908	2,038,008	4,884,908	2,038,008
Financial liabilities				
Interest-bearing loans and borrowings	41,216,342	28,347,910	41,978,913	31,087,696
Finance lease liability	2,037,711	3,414,440	2,037,711	3,414,440
Trade and other payables	6,232,816	6,134,291	6,232,816	6,134,291

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the end of the reporting period. Quoted market prices or dealer quotes for the specific or similar instruments or the discounted value of future cash flows are used for financial assets. The fair value of cash and cash equivalents, short-term deposits, trade and other receivables, trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of unquoted instruments, other financial assets, interest bearing loans and borrowings, finance lease liability is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

29. Financial risk management policies and objectives

Financial risk management policies and objectives

The Group's principal financial instruments comprise interest-bearing loans and borrowings, cash in bank, short-term deposits and other financial assets. The Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations.

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

29. Financial risk management policies and objectives (continued)

Risk management is carried out by the Group's financial departments. The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, credit risk and interest rate risk. The policies for managing each of these risks are summarised below.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of cash generated from Group's operations, credit terms provided by suppliers and interest-bearing loans and borrowings. Significant aspects of the liquidity risk management are disclosed in the Note 2.

The Group analyses the aging of its assets and cash generation ability versus the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments, assuming no breaches occurred:

	<i>Less than 3 month</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Less: effect of amortisation</i>	<i>Carrying value</i>
Year ended 31 December 2015						
Interest bearing loans and borrowings	8,503,395	10,619,003	31,959,806	2,627,541	(11,730,832)	41,978,913
Finance lease liability	550,798	729,387	1,135,383	15,479	(393,336)	2,037,711
Trade and other payables	4,980,372	1,252,444	-	-	-	6,232,816
	<i>Less than 3 month</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Less: effect of amortisation</i>	<i>Carrying value</i>
Year ended 31 December 2014						
Interest bearing loans and borrowings	5,874,906	8,085,471	22,931,337	1,067,355	(6,871,373)	31,087,696
Finance lease liability	1,080,122	869,436	2,190,997	98,386	(824,501)	3,414,440
Trade and other payables	5,744,957	274,295	114,960	79	-	6,134,291

Foreign currency risk

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ("USD"), the euro ("EUR"), the Swiss franc ("CHF"), the Russian rouble ("RUB") play a significant role in the underlying economics of the Group's business transactions.

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated, against the Ukrainian Hryvnia, as established by the NBU as at the dates stated, were as follows:

	<i>USD</i>	<i>EUR</i>	<i>CHF</i>	<i>10 RUB</i>
31 December 2014	15.7685	19.2329	15.9901	3.0304
Average for 2014	11.9096	15.7402	12.9711	3.1090
31 December 2015	24.0007	26.2231	24.2492	3.2931
Average for 2015	21.8314	24.2006	22.6786	3.6118
29 June 2016	25.1416	28.0430	25.3921	3.8096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

29. Financial risk management policies and objectives (continued)

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than its functional currency. The Group has not entered into transactions designed to hedge against these foreign currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

<i>31 December 2015</i>	<i>Change in UAH rate</i>	<i>Effect on the profit before tax</i>
UAH/USD	+67.00%	(24,344,534)
UAH/USD	-18.00%	6,540,323
UAH/CHF	+67.00%	(96,713)
UAH/CHF	-18.00%	25,983
UAH/EUR	+67.00%	(366,792)
UAH/EUR	-18.00%	98,541
UAH/RUR	+50.00%	1,883
UAH/RUR	-33.50%	(1,262)

<i>31 December 2014</i>	<i>Change in UAH rate</i>	<i>Effect on the profit before tax</i>
UAH/USD	+28.93%	(7,892,649)
UAH/USD	-28.93%	7,892,649
UAH/CHF	+28.93%	19,902
UAH/CHF	-28.93%	(19,902)
UAH/EUR	+28.96%	(108,325)
UAH/EUR	-28.96%	108,325
UAH/RUR	+39.92%	1,513
UAH/RUR	-39.92%	(1,513)

Credit risk

Financial instruments which potentially expose the Group to significant concentrations of credit risk consist principally of cash and cash equivalents, deposits, trade and other receivables. The Group's credit risk exposure is monitored and analysed on a case-by-case basis, and the Group's management believes that credit risk is appropriately reflected in impairment allowances recognised against assets. The Group's maximum credit risk exposure at 31 December 2015 and 2014 is represented by the carrying amounts of the financial assets.

The Group's cash is primarily held with major reputable Ukrainian banks.

The Group does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed of all customers requiring credit over a certain amount.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

In 2015 and 2014, the Group primarily borrowed at both fixed and floating rate pegged to the London Inter Bank Offering Rate ("LIBOR").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2015

(in thousands of Ukrainian Hryvnia, unless otherwise indicated)

29. Financial risk management policies and objectives (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

<i>31 December 2015</i>	<i>Increase/decrease in basis points</i>	<i>Effect on the profit before tax</i>
LIBOR	+0.50%	29,534
LIBOR	-0.12%	(7,088)
EURIBOR	+0.17%	1,058
EURIBOR	-0.05%	(311)
<i>31 December 2014</i>	<i>Increase/decrease in basis points</i>	<i>Effect on the profit before tax</i>
LIBOR	+0.02%	979
LIBOR	-0.02%	(979)
EURIBOR	+0.04%	304
EURIBOR	-0.04%	(304)

The Group has not entered into transactions designed to hedge against the interest rate risk.

Capital management

The Group considers debt and equity as relevant components of funding, hence part of its capital management. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the State and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and provide flexibility relating to the Group's access to capital markets.

The structure of capital managed is presented below:

	<i>2015</i>	<i>2014</i>
Interest-bearing loans and borrowings	41,978,913	31,087,696
Finance lease liability	2,037,711	3,414,440
	<u>44,016,624</u>	<u>34,502,136</u>
Cash and term deposits	(4,884,908)	(2,038,008)
Net debt	<u>39,131,716</u>	<u>32,464,128</u>
Total equity	<u>218,239,099</u>	<u>27,769,299</u>
Total capital	<u>257,370,815</u>	<u>60,233,427</u>

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy. Please, refer to Note 2 which discloses the important uncertainty aspects related to the capital management.

30. Events after the reporting period

In January 2016 the State Property Fund of Ukraine transferred corporate rights of Leasing Company PJSC "Ukrtransleasing", PJSC Insurance Company "Inter-Policy" and PJSC "International company "Ukrzovnishtrans" to JSC "Ukrzaliznytsia" as a contribution to the charter capital (Note 15).

Supplementary financial information

BALANCE SHEET AS AT 31 DECEMBER 2015

Entity: JSC "Ukrzaliznytsia"
 Location: Ukraine
 Ownership: Public Stock Company
 Type of activity: Freight railroad transport
 Average quantity of employees: 269 831
 Units of measurement: UAH thousand
 Address, telephone: 03680, Kyiv, Tverska Str., phone.465-05-52

Date (year month date)	2015 12 31
Per EDRPOU	40075815
Per KOATUU	8038200000
Per KOPFG	230
Per KVED	49.20

Prepared in accordance with (mark with "v" in relevant box):

Ukrainian Accounting Standards

International Financial Reporting Standards

V

Form # 1 Per DKUD 1801001

Assets	Line code	As at 01.01.2015	As at 31.12.2015
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	338,584	187,442
historical cost	1001	698,660	249,560
accumulated amortization	1002	(360,076)	(62,118)
Capital investments in progress	1005	4,868,844	5,285,814
Property, plant and equipment:	1010	57,145,547	253,839,733
historical cost	1011	113,370,962	274,749,128
accumulated depreciation	1012	(56,225,415)	(20,909,395)
Investment Property	1015	-	-
Non-current biological assets	1020	-	-
historical cost of non-current biological assets	1021	-	-
accumulated depreciation of non-current biological assets	1022	-	-
Non-current financial investments:		-	-
accounted for under the equity method	1030	-	-
other financial investments	1035	66,251	81,016
Non-current receivables	1040	120,735	69,543
Deferred tax assets	1045	4,024,519	555,400
Other non-current assets	1090	544,369	679,873
Total Section I	1095	67,108,849	260,698,821
II. Current assets			
Inventories	1100	3,012,930	5,140,361
Production inventories	1101	1,059,713	4,376,647
Work in progress	1102	-	-
Finished goods	1103	993,076	444,599
Commodities	1104	960,141	319,115
Current biological assets	1110	-	-
Accounts receivable for goods, works and services	1125	541,127	1,280,767
Accounts receivable on settlements:		-	-
on prepayments made	1130	170,087	212,902
with budget	1135	580,610	1,076,535
including income tax	1136	309,237	620,156
Accounts receivable on intercompany settlements	1145	-	-
Other current accounts receivable	1155	158,559	381,307
Current financial investments	1160	-	-
Cash and cash equivalents	1165	2,038,008	4,884,908
Cash in hand	1166	1,039	477
Cash at banks	1167	2,036,969	4,884,431
Deferred expenses	1170	62,576	51,495
Other current assets	1190	-	-
Total Section II	1195	6,563,897	13,028,275
III. Assets classified as held for distribution	1200	-	-
BALANCE	1300	73,672,746	273,727,096

Supplementary financial information

Liabilities and Equity	Line code	As at 01.01.2015	As at 31.12.2015
1	2	3	4
I. Equity			
Share capital	1400	18,640,130	229,879,115
Capital in revaluation	1405	-	-
Additional capital	1410	-	19,597,430
Reserve fund	1415	-	-
Retained earnings (accumulated deficit)	1420	9,129,169	(31,237,446)
Unpaid capital	1425	-	-
Treasury shares	1430	-	-
Total Section I	1495	27,769,299	218,239,099
II. Non-current liabilities and provisions			
Deferred tax liabilities	1500	15,337	33,232
Non-current bank loans	1510	4,570,885	8,543,906
Other non-current liabilities	1515	2,960,521	13,584,432
Other non-current provisions	1520	1,912,648	1,899,362
Non-current provisions for staff expenses	1521	1,912,648	1,899,362
Special purpose financing	1525	-	-
Total Section II	1595	9,459,391	24,060,932
III. Current liabilities and provisions			
Short-term bank loans	1600	-	-
Current liabilities for:		-	-
current portion of non-current liabilities	1610	26,853,993	21,015,224
for goods, works and services	1615	3,915,990	3,373,233
with budget	1620	584,254	793,502
with Income tax	1621	77,037	45,308
social insurance	1625	286,817	416,458
wages	1630	622,150	800,851
Current liabilities on advances received	1635	2,096,176	1,833,603
Current liabilities on intercompany settlements	1645	-	-
Other provisions	1660	1,051,584	1,175,171
Deferred income	1665	284,366	30,472
Other current liabilities	1690	748,726	1,988,551
Total Section III	1695	36,444,056	31,427,065
IV. Liabilities directly associated with the assets classified as held for distribution			
	1700	-	-
BALANCE	1900	73,672,746	273,727,096

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2015	12	31
40075815		

STATEMENT OF FINANCIAL RESULTS (STATEMENT OF COMPREHENSIVE INCOME) FOR THE YEAR ENDED 31 DECEMBER 2015

Form # 2

Per DKUD

1801003

I. FINANCIAL RESULTS

Description	Line code	For the previous period	For the reporting period
1	2	3	4
Net revenue from sales of goods (merchandise, works, services)	2000	49,455,619	60,125,598
Cost of goods (merchandise, works, services) sold	2050	(41,682,638)	(44,798,177)
Gross:			
Profit	2090	7,772,981	15,327,421
Loss	2095	-	-
Other operating income	2120	1,095,089	3,360,543
Administrative expenses	2130	(2,111,010)	(1,757,344)
Selling expenses	2150	(142,137)	(136,423)
Other operating expenses	2180	(17,559,298)	(19,933,014)
Financial results from operating activities:			
Profit	2190	-	-
Loss	2195	(10,944,375)	(3,138,817)
Income from investments accounted for under the equity method	2200	-	-
Other finance income	2220	50,082	299,171
Other income	2240	645,452	221,923
Finance costs	2250	(3,703,546)	(5,125,715)
Losses from investments accounted for under the equity method	2255	-	-
Other expenses	2270	(729,354)	(5,200,288)
Financial results before taxation:			
Profit	2290	-	-
Loss	2295	(14,681,741)	(12,943,726)
Income tax expense	2300	(762,061)	(3,838,194)
Income (loss) from discontinued operations after tax	2305	-	-
Net financial result:			
Profit	2350	-	-
Loss	2355	(15,443,802)	(16,781,920)

II. COMPREHENSIVE INCOME

Description	Line code	For the previous period	For the reporting period
1	2	3	4
Revaluation of non-current assets	2400	-	199,071,113
Revaluation of financial instruments	2405	-	-
Accumulated foreign exchange rate differences	2410	-	-
Share of other comprehensive income of associates and joint ventures	2415	-	-
Other comprehensive income	2445	36,770	(7,683)
Other comprehensive income before tax	2450	36,770	199,063,430
Income tax related to other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	36,770	199,063,430
Comprehensive profit (sum lines 2350, 2355 and 2460)	2465	(15,407,032)	182,281,510

Supplementary financial information

III. ELEMENTS OF OPERATING EXPENSES

Description	Line code	For the previous period	For the reporting period
1	2	3	4
Cost of materials	2500	15,472,636	17,705,148
Labour costs	2505	16,784,164	16,443,804
Social security charges	2510	5,970,549	5,955,083
Depreciation and amortization	2515	5,630,858	7,036,204
Other operating expenses	2520	2,669,208	19,624,716
Total	2550	46,527,415	66,764,955

IV. CALCULATION OF EARNINGS PER SHARE

Description	Line code	For the previous period	For the reporting period
1	2	3	4
Annual average number of ordinary shares	2600	-	-
Adjusted annual average number of ordinary shares	2605	-	-
Net income per ordinary share	2610	-	-
Adjusted net income per ordinary share	2615	-	-
Dividends per ordinary share	2650	-	-

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2015	12	31
40075815		

STATEMENT OF CASH FLOWS (indirect method) for the year 2015

Form # 3

DKUD code

1801006

Description	Line code	For the previous period		For the reporting period	
		proceeds	expense	proceeds	expense
1	2	3	4	3	4
I. Cash flows from operating activities					
Profit (loss) from ordinary activities before tax	3500	-	14,681,741	-	12,943,726
Corrections on:					
Depreciation of fixed assets	3505	5,630,858	-	7,036,204	-
increase (decrease) in provisions	3510	-	9,107	-	128,580
loss (profit) on unrealized exchange differences	3515	14,211,814	-	14,032,747	-
loss (profit) from non-operating activities and other non-cash transactions	3520	591,787	-	5,153,483	-
Financial expenses	3540	3,653,464	-	4,826,544	-
Decrease (increase) in current assets	3550	1,228,733	339,050	-	2,494,347
Increase (decrease) in inventories	3551	921,778	-	-	2,127,431
Decrease (increase) in accounts receivable for products, goods, works, services	3553	-	339,050	-	739,640
decrease (increase) in other current receivables	3554	61,137	-	-	222,748
decrease (increase) in other current assets	3557	245,818	-	-	-
Increase (decrease) in current liabilities, including:	3560	946,552	1,365,080	907,477	658,749
increase (decrease) in current accounts payable for goods and services	3561	-	1,365,080	-	542,757
increase (decrease) in current budget settlements	3562	250,432	-	209,248	-
increase (decrease) in current insurance settlements	3563	-	-	129,641	-
increase (decrease) in current salary settlements	3564	-	-	178,701	-
Increase (decrease) in other current payables	3567	696,120	-	1,239,824	-
Cash from operating activities	3570	9,868,230	-	15,731,053	-
Income tax paid	3580	-	602,435	-	714,868
Dividends paid	3585	-	-	-	-
Net cash flow from operating activities	3195	9,265,795	-	15,016,185	-
II. Cash flows from investing activities					
Proceeds from sale of:					
financial investments	3200	-	-	-	-
Fixed assets	3205	-	-	-	-
Proceeds from received:					
Interests	3215	-	-	-	-
Dividends	3220	-	-	-	-
Proceeds from derivatives	3225	-	-	-	-
Other proceeds	3250	327,494	-	130,451	-
Payments on acquisition:					
Financial investments	3255	-	-	-	-
Fixed assets	3260	-	4,145,906	-	3,623,755
Payments for derivatives	3270	-	-	-	-
Other payments	3290	-	180,890	-	238,745
Net cash flows from investing activities	3295	-	3,999,302	-	3,732,049
III. Cash flows from financing activities					
Proceeds from share capital	3300	-	-	-	-
Proceeds from borrowings	3305	13,303,591	-	740,530	-
Other proceeds	3340	-	-	-	-
Payments for:					
Own securities	3345	-	-	-	-
Repayment of borrowings	3350	-	12,574,686	-	3,073,178
Dividends paid	3355	-	-	-	-
Borrowings interest paid	3360	-	3,012,111	-	3,997,394
Finance lease interests paid	3365	-	1,603,717	-	2,284,130
Other payments	3390	-	-	-	-
Net cash flows from financing activities	3395	-	3,886,923	-	8,614,172
Net (decrease)/increase in cash and cash equivalents	3400	1,379,570	-	2,669,964	-
Cash balance at the beginning of the year	3405	643,559	-	2,038,008	-
Net foreign exchange difference	3410	14,879	-	176,936	-
Cash balance at the end of the year	3415	2,038,008	-	4,884,908	-

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2015	12	31
40075815		

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

Form # 4

DKUD code

1801005

Description	Line code	Share capital	Capital in revaluation	Additional capital	Reserve fund	Retained earnings (accumulated deficit)	Unpaid capital	Treasury capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	18,640,130	-	-	-	9,129,169	-	-	27,769,299
Adjustments:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other adjustments	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	-	-	-	-	-	-	-	-
Net profit (loss) for the reporting period	4100	-	-	-	-	(16,781,920)	-	-	(16,781,920)
Other comprehensive income for the current period including:	4110	-	199,071,113	-	-	(7,683)	-	-	199,063,430
Revaluation (disposal) of fixed assets	4111	-	199,071,113	-	-	-	-	-	199,063,430
Other comprehensive income	4116	-	-	-	-	-	-	-	-
Distribution of profit:									
Payments to shareholders (dividends)	4200	-	-	-	-	-	-	-	-
Distribution to share capital	4205	-	-	-	-	-	-	-	-
Distribution to the reserve fund	4210	-	-	-	-	-	-	-	-
Total net profit, due to the budget in accordance with the law	4215	-	-	-	-	(343,991)	-	-	(343,991)
Total net income for the establishment of special (earmarked) funds	4220	-	-	-	-	-	-	-	-
Total net profit on financial incentives	4225	-	-	-	-	-	-	-	-
Contributions made by shareholders:									
Contributions to capital	4240	-	-	-	-	-	-	-	-
Repayment of debts from equity	4245	-	-	-	-	-	-	-	-
Withdrawal of capital:									
Purchase of shares (contributions)	4260	-	-	-	-	-	-	-	-
Re-sale of purchased shares (contributions)	4265	-	-	-	-	-	-	-	-
Cancellation of purchased shares (contributions)	4270	-	-	-	-	-	-	-	-
Withdrawal of contribution in capital	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	211,238,985	(199,071,113)	19,597,430	-	(23,233,021)	-	-	8,532,281
Total changes in equity	4295	211,238,985	-	19,597,430	-	(40,366,615)	-	-	190,469,800
Balance at the end of the year	4300	229,879,115	-	19,597,430	-	(31,237,446)	-	-	218,239,099

Supplementary financial information

Entity: JSC "Ukrzaliznytsia"

Date (year, month, date)
per EDRPOU

CODE		
2015	12	31
40075815		

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2014

Form # 4

DKUD code

1801005

Description	Line code	Share capital	Capital in revaluation	Additional capital	Reserve fund	Retained earnings (accumulated deficit)	Unpaid capital	Treasury capital	Total
1	2	3	4	5	6	7	8	9	10
Balance at the beginning of the year	4000	18,640,806	-	-	-	24,572,762	-	-	43,213,568
Adjustments:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
Adjusted balance at the beginning of the year	4095	-	-	-	-	-	-	-	-
Net profit (loss) for the reporting period	4100	-	-	-	-	(15,443,802)	-	-	(15,443,802)
Other comprehensive income for the current period	4110	-	-	-	-	36,770	-	-	36,770
Revaluation (disposal) of fixed assets	4111	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	36,770	-	-	36,770
Distribution of profit									
Payments to shareholders (dividends)	4200	-	-	-	-	-	-	-	-
Distribution to the share capital	4205	-	-	-	-	-	-	-	-
Distribution to the reserve fund	4210	-	-	-	-	-	-	-	-
Total net profit, due to the budget in accordance with the law	4215	-	-	-	-	(174,680)	-	-	(174,680)
Total net income for the establishment of special (earmarked) funds	4220	-	-	-	-	-	-	-	-
Total net profit on financial incentives	4225	-	-	-	-	-	-	-	-
Contributions made by shareholders:									
Contributions to capital	4240	-	-	-	-	-	-	-	-
Repayment of debts from equity	4245	-	-	-	-	-	-	-	-
Withdrawal of capital:									
Purchase of shares (contributions)	4260	-	-	-	-	-	-	-	-
Re-sale of purchased shares (contributions)	4265	-	-	-	-	-	-	-	-
Cancellation of purchased shares (contributions)	4270	-	-	-	-	-	-	-	-
Withdrawal of contribution in capital	4275	-	-	-	-	-	-	-	-
Other changes in equity	4290	(676)	-	-	-	138,119	-	-	137,443
Total changes in equity	4295	(676)	-	-	-	(15,443,593)	-	-	(15,444,269)
Balance at the end of the year	4300	18,640,130	-	-	-	9,129,169	-	-	27,769,299