



CITY OF  
**KYIV**  
ANNUAL  
REPORT

**2018**

FINANCIAL INFORMATION



THIS REPORT WAS PREPARED BY:  
- the municipal research facility «Urban  
Socioeconomic Research Institute»  
- Grant Thornton Legis LLC



The consolidated financial information  
of special purpose concerning the  
group of enterprises, institutes and  
organizations, which belong  
to municipal property of territorial  
community of Kyiv for 2018

Description of the approach to the preparation of the Special Purpose Consolidated Financial Information of Kyiv for 2018 .....	5
The Consolidated Statement of Financial Position as at December 31, 2018 .....	8
The Consolidated Statement of Financial Results for the year, that ended on December 31, 2018 .....	10
The Consolidated Statement of Changes in Net Assets for the year ended on December 31, 2018 .....	12
The Consolidated Statement of Cash Flows for the year ended December 31, 2018.....	13
Report on the performance of the Kyiv City’s Budget for 2018 .....	15
Report on the performance of the Kyiv City’s Budget for 2017 .....	17
Reconciliation of consolidated financial results and performance of the Kyiv City’s Budget for 2018 .....	19
1. General information .....	21
2. The Economic Environment of the Kyiv City .....	21
3. Basic principles of accounting policies.....	22
4. Critical accounting estimates and judgments used in applying accounting policies.....	32
5. Related party transactions .....	34
6. Property, plant and equipment .....	36
7. Investment property .....	39
8. Intangible assets .....	39
9. Investments accounted for using the equity method .....	39
10. Receivables from exchange transactions .....	40
11. Inventories .....	41
12. Receivables from non-exchange transactions.....	41
13. Cash and cash equivalents.....	42
14. Other non-current assets .....	43

15. Borrowings .....	43
16. Non-current provisions.....	46
17. Other non-current liabilities .....	46
18. Deferred income .....	46
19. Payables under exchange transactions .....	47
20. Taxes and transfers payables .....	47
21. Current provisions .....	47
22. Other current liabilities.....	48
23. Subventions and dotations .....	48
24. Local taxes and charges to the General Fund.....	50
25. Administrative fees and charges, revenue from non-commercial business activities .....	50
26. Duties and fees for the special use of natural resources .....	50
27. Other non-tax proceeds and other budget revenue.....	51
28. Income from exchange transactions of budget institutions.....	51
29. Taxes and other charges of the special fund.....	51
30. Other non-tax proceeds.....	52
31. Subventions (the Special Fund) .....	52
32. Income from exchange transactions of municipal and corporate entities .....	52
33. Other income of budget, municipal, and corporate entities .....	53
34. Housing and utilities.....	53
35. Education .....	54
36. Health Care .....	54
37. Construction .....	54
38. Transport, road facilities, communication, telecommunications and informational technologies.....	55
39. Social care and social security .....	55
40. Culture and arts.....	55
41. Other services related to economic activities .....	56
42. State administration .....	56

43. Transfers to the State Budget and other budgets .....	56
44. Financial expenses .....	57
45. Contingents and other liabilities.....	57
46. Financial risk management.....	57
47. Presentation of financial instruments by measurement categories.....	61
48. Segment information.....	62
49. Events after the reporting date .....	66

# Description of the approach to the preparation of the Special Purpose Consolidated Financial Information of Kyiv for 2018

The Special Purpose Consolidated Financial Information for the group of enterprises, institutions and organizations of communal property of the Kyiv city territorial community as at December 31, 2018 (hereinafter referred to as the «Special Purpose Consolidated Financial Information») includes 1 908 enterprises, institutions and organizations (as at December 31, 2017 included 1 956 enterprises, institutions and organizations (Note 1). The main forms of the Special Purpose Consolidated Financial Information include data on all 1 908 enterprises, institutions and organizations. In case of technical limitations we provide detailed information on the 104 largest enterprises, institutions and organizations disclosed in the notes (information on 95 largest enterprises, institutions and organizations was disclosed in the Special Purpose Consolidated Financial Information as at December 31, 2017). The information about other enterprises, institutions and organizations of the City is disclosed in the notes on the line «Others».

The audit of the special purpose consolidated financial information as of December 31, 2018 was not conducted.

## **Restrictions and deviations from International Public Sector Accounting Standards («IPSAS»)**

1. The major part of land of Kyiv city (hereinafter referred to as the City) in the Special Purpose Consolidated Financial Information is accounted for a value equal to zero, as there is no reliable estimate of the fair value of the relevant land fund. The total area of Kyiv City's land and the existing limitations regarding land accounting are disclosed in Note 6.

2. A part of entities of Kyiv did not perform revaluation of their property, plant and equipment as at December 31, 2018 and December 31, 2017; therefore, the fair value of property, plant and equipment, which should be represented at fair value according to the accounting policies, may differ significantly from the carrying amount disclosed herein. In addition, a part of Kyiv city's entities did not perform the analysis on whether the objective evidence of impairment exists and, in case of need,

did not perform the impairment test of the construction in progress, property, plant and equipment, intangible assets and inventories as at December 31, 2018 and December 31, 2017.

3. A part of the enterprises of Kyiv as of 31 December 2018 did not allocate investment property objects from the fixed assets and did not carry out their revaluation at fair value. Respectively, the fair value of investment property, which is carried at fair value in accordance with accounting policies, may differ materially from its carrying amount specified in the Consolidated statement of Financial Status.

4. Due to technical constraints, some intercompany balances and transactions were not eliminated during consolidation, not all non-cash income and expenses were identified and netted-off in full in the Special Purpose Consolidated Financial Information.

5. Some entities of the City do not calculate and do not recognize in full size:

Deferred tax liabilities / deferred tax assets;

Provisions for litigation;

- Provisions for unused vacation;

- Bonus accruals;

- Guarantee accruals;

Post-employment benefit plan liabilities;

Provisions for land rehabilitation;

Financial instruments at amortized cost.

6. Some entities in the Kyiv city account at the balance sheet the property that was privatized and not owned by the City at December 31, 2018 and December 31, 2017. A part of such assets was identified during the preparation of the Special Purpose Consolidated Financial Information and excluded from the value of the property, plant and equipment of the City.

7. As some of the City entities did not prepare detailed final information for the disclosure of separate notes during 2017 and 2018 and, as at 31 December 2017 and 2018, the possibility of comparing these items for 31 December 2018 and the year, which ended on this date, with the corresponding financials for the previous period, is limited.

Particularly, the possibility of comparing certain categories of operating expenses of the City in Notes 34-42 is limited as the forms of financial statements of budgetary institutions have been amended since January 1, 2018.

8. Notes to the Special Purpose Consolidated Financial Information, in particular notes 22 «Other Current Liabilities», 24 «Local Taxes and Charges to the General Fund» and 31 «Subventions (the Special Fund)» are prepared for the presentation of financial information based on the requirements of IPSAS.

9. Due to technical limitations, certain disclosures required by IPSAS were not prepared:

- Application of new or revised standards and interpretations and their impact on the Special Purpose Consolidated Financial Information;

- Critical accounting estimates and judgments used in applying accounting policies for:

- Recognition of revenue from non-exchange transactions;
- Valuation of property, plant and equipment and investment property;
- Reconciliation of net cash flows to the consolidated financial results;
- Purposes, policies and methods of credit risk management;
- Concentration of credit risk;
- Categories of assets pledged as collateral;
- Information on the amount of fully amortized property, plant and equipment;
- Disclosure of the fair value measurement model for the financial instruments classified as Level 3;
- Incomes, expenses and results from transactions with financial instruments according to accounting categories;
- Disclosure of information about liabilities concerning the retirement plans;
- Operations with related parties, except operations with management personnel;
- Disclosures on construction contracts;
- Disclosures on operating lease;
- Disclosures on contingent liabilities and commitments for acquisition and construction of property, plant and equipment;
- Segment information according to IPSAS.

## The Consolidated Statement of Financial Position as at December 31, 2018

IN THOUSANDS OF UKRAINIAN HRYVNIAS	NOTE	2018	2017
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	6	119 584 567	94 347 178
Investment Property	7	2 039 469	2 754 732
Intangible assets	8	576 190	176 064
Investments accounted for using equity method	9	-	-
Available-for-sale investments		19 889	49 800
Deferred tax assets		3 511	229 597
Long-term receivables from exchange transactions	10	330 700	117 019
Other non-current assets	14	2 740 979	345 632
Total non-current assets		125 295 305	98 020 022
Current assets			
Stocks	11	13 382 219	11 272 561
Current receivables from exchange transactions	10	12 519 507	4 344 264
Receivables from non-exchange transactions	12	1 959 212	4 410 118
Receivables of entities on taxes		16 150	227 668
Deferred expenses		72 590	78 240
Current financial investments		8 396	8 396
Cash and cash equivalents	13	4 487 752	5 474 040
Total current assets		32 445 826	25 815 287
<b>TOTAL ASSETS</b>		<b>157 741 131</b>	<b>123 835 309</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Long-term borrowing	15	9 236 402	11 397 457
Deferred tax liabilities		5 071 954	520 121
Long-term provisions	16	785 715	23 290
Other non-current liabilities	17	22 562 023	6 464 853
Deferred income	18	6 923 657	3 483 809
Total non-current liabilities		44 579 751	21 889 530
Current liabilities			
Short-term borrowing	15	9 052 827	7 664 771
Payables under exchange transactions	19	9 946 632	9 212 091
Taxes and transfers payables	20	428 714	524 727
Payments received in advance from non-exchange transactions		2 542 097	2 275 399

<b>IN THOUSANDS OF UKRAINIAN HRYVNIAS</b>	<b>NOTE</b>	<b>2018</b>	<b>2017</b>
Current provisions	21	1 530 937	921 190
Other current liabilities	22	3 650 036	1 862 138
Total current liabilities		27 151 243	22 460 316
<b>TOTAL LIABILITIES</b>		<b>71 730 994</b>	<b>44 349 846</b>
Accumulated surplus		46 946 297	35 802 328
Revaluation reserve		38 558 102	43 157 152
Minority interest		505 738	525 983
Total net assets		86 010 137	79 485 463
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>157 741 131</b>	<b>123 835 309</b>

## The Consolidated Statement of Financial Results for the year, that ended on December 31, 2018

IN THOUSANDS OF UKRAINIAN HRYVNIAS	NOTE	2018 YEAR	2017
Revenues			
General fund			
Personal income tax		18 577 582	14 601 211
Corporate income tax		3 702 215	4 736 055
Subventions and grants	23	13 513 775	13 047 313
Local taxes and charges to the General fund	24	11 111 908	10 130 268
Excise taxes on excisable goods sold by business entities		1 732 730	1 578 873
Administrative fees and charges, income from non-commercial business activities	25	659 740	604 802
Duties and fees for the special use of natural resources	26	52 918	37 002
Other non-tax proceeds and other budget revenues	27	55 830	315 415
Other taxes and charges		38	25 693
Income from capital transactions		25 414	-
Special fund			
Revenue from exchange transactions of budget institutions	28	3 548 128	2 650 889
Taxes and other charges to Special fund	29	248 342	1 101 384
Other non-tax proceeds	30	486 476	797 684
Subventions (the Special Fund)	31	1 882 644	713 744
Special Purpose Funds		303 053	291 547
Funds from sales of land, intangible assets and from privatization		237 505	171 924
Revenue from services rendered		23 227	-
Environmental tax	29	42 157	-
Local taxes and special fund fees		266	-
Revenue from exchange transactions of municipal and corporate enterprises	32	23 095 183	17 455 776
Other income of budget, communal and corporate entities	33	6 216 130	5 792 600
Financial income of municipal and corporate enterprises		44 834	70 100
<b>Total revenues</b>		<b>85 560 095</b>	<b>74 122 280</b>
Expenses			
Housing and utilities	34	(16 572 419)	(11 629 923)
Education	35	(16 275 608)	(11 941 473)
Health Care	36	(13 277 201)	(11 244 657)
Construction	37	(3 542 762)	(6 015 821)

<b>IN THOUSANDS OF UKRAINIAN HRYVNIAS</b>	<b>NOTE</b>	<b>2018 YEAR</b>	<b>2017</b>
Transport, road facilities, communication, telecommunications and informational technologies	38	(13 115 988)	(10 113 750)
Social care and social security	39	(9 059 291)	(7 431 412)
Culture and arts	40	(1 712 473)	(2 023 685)
Other services related to economic activities	41	(3 456 805)	(2 201 059)
Governance	42	(2 269 122)	(1 592 738)
Special Purpose Funds		(341 742)	(351 273)
Physical Culture and Sports		(607 272)	(446 668)
Funds transferred to the State Budget and others budgets	43	(159 758)	(265 936)
Other activities in the field of ecology and natural resources protection		(124 908)	-
Transfers		(1 470 863)	-
Expenditures and borrowings		(79 650)	-
Repayment of borrowings		-	-
The effect of the termination of recognition of housing stock as a result of privatization		2 375 152	-
Other income (expenses)		(277 762)	(2 664 981)
Impairment losses on non-current assets		-	(356)
<b>TOTAL EXPENSES TO FINANCIAL EXPENSES</b>		<b>(79 968 474)</b>	<b>(67 923 732)</b>
<b>SURPLUS BEFORE TAXES AND FINANCIAL EXPENSES</b>		<b>5 591 621</b>	<b>6 198 548</b>
Income tax		(214 719)	249 985
<b>SURPLUS FOR THE REPORTING PERIOD BEFORE FINANCIAL EXPENSES</b>		<b>5 376 902</b>	<b>6 448 533</b>
Financial expenses	44	(1 779 054)	(1 523 504)
<b>SURPLUS (DEFICIENCY) FOR THE REPORTING PERIOD</b>		<b>3 597 848</b>	<b>4 925 029</b>
Surplus attributable to non-controlling interest		20 829	(26 379)
Surplus attributable to Kyiv city community		3 577 019	4 951 408
<b>SURPLUS FOR THE REPORTING PERIOD</b>		<b>3 597 848</b>	<b>4 925 029</b>

## The Consolidated Statement of Changes in Net Assets for the year ended on December 31, 2018

IN THOUSANDS OF UKRAINIAN HRYVNIAS	ATTRIBUTABLE TO KYIV CITY COMMUNITY				
	REVALUATION RESERVE	ACCUMULATED SURPLUS	TOTAL	NON- CONTROLLING INTEREST	TOTAL
Balance as at January 1, 2017	31 087 960	29 852 451	60 940 411	552 362	61 492 773
Surplus / (deficit) for the reporting period	-	4 951 408	4 951 408	(26 379)	4 925 029
Another cumulative income	12 046 198	30 048	12 076 246	-	12 076 246
Adjustment of prior periods	22 994	968 421	991 415	-	991 415
Balance as at December 31, 2017	4113 157 152	35 802 328	78 959 480	525 983	79 485 463
Surplus / (deficit) for the reporting period	-	3 577 019	3 577 019	20 829	3 597 848
Reclassification of equity components	(4 599 050)	4 599 050	-	-	-
Adjustment of prior periods	-	2 967 900	2 967 900	(41 074)	2 926 826
Balance as at December 31, 2018	38 558 102	46 946 297	85 504 399	505 738	86 010 137

## The Consolidated Statement of Cash Flows for the year ended December 31, 2018

IN THOUSANDS OF UKRAINIAN HRYVNIA	NOTE	2018	2017
Cash flow from operating activities			
Personal income tax		18 587 101	14 628 161
Corporate income tax		3 640 867	3 270 599
Transfers from public authorities		17 247 133	13 761 057
Duties and fees for special use of natural resources		52 918	50 994
Excise tax on excisable goods sold by business entities		1 732 730	1 565 601
Administrative fees and charges, revenue from non-profit business		659 740	518 803
Local taxes and charges		11 535 714	9 726 305
Other non-tax proceeds		542 306	1 099 665
Proceeds from sales of goods and services provided by municipal entities		24 120 392	2 650 889
Special purpose funds		11 505 396	291 547
Other taxes and fees		248 379	1 125 565
Proceeds from products sold and services provided by municipal entities		646 052	8 114 959
Rental fees received		342 356	353 039
Advances received		637 072	642 065
Repayments of advances granted		98 047	50 505
Interest income on current account balances		72 742	31 771
Taxes and duties reimbursed		2 991	1 864
Other proceeds		5 838 614	4 239 888
Expenditures to goods, works, services		(22 083 424)	(20 741 713)
Labor costs and payroll related charges		(18 214 607)	(14 717 139)
Transfers to the State Budget and other budgets		(6 758 579)	(241 482)
Taxes and charges paid		(2 496 636)	(1 602 699)
Repayment of advances received		(84 450)	(49 571)
Advances issued		(1 133 516)	(659 305)
Individual measures on state (regional) programs' implementation		(27 742 018)	(5 741 476)
Social security payments		(1 847 308)	(6 282 687)
Net cash flows from operating activities		17 150 012	12 087 205
Cash flow from investing activities			
Proceeds from the sale of non-current assets		319 791	173 735
Proceeds from interest received		1 897	1 598
Other proceeds		3 283 207	19

<b>IN THOUSANDS OF UKRAINIAN HRYVNIAS</b>	<b>NOTE</b>	<b>2018</b>	<b>2017</b>
Aquisition of non-current assets		(12 598 625)	(11 153 962)
Other payments		(11 372 043)	(148 381)
Net cash flows from investing activities		(20 365 773)	(11 126 991)
<b>Cash flows from financing activities</b>			
Proceeds from equity		2 026 328	-
Proceeds from borrowings received		2 034 367	1 416 365
Repayment on borrowings		(2 434 126)	(1 891 664)
Interest paid on Eurobonds placed		(770 996)	(860 280)
Other proceeds		960 032	263 264
Other payments		(409 410)	-
Net cash flow from financing activities		1 406 195	(1 072 315)
Net cash flow for the reporting period		(1 809 566)	(112 101)
Cash and cash equivalents at the beginning of the reporting period	13	5 474 040	5 595 174
Effect of exchange rate changes on cash and cash equivalent balances		823 278	(9 033)
Cash and cash equivalents at the end of the reporting period	13	4 487 752	5 474 040

## Report on the performance of the Kyiv City's Budget for 2018

IN THOUSANDS OF HRYVNIAS(UKRAINIAN NATIONAL CURRENCY)	AMOUNTS OF FUNDS ACCORDING TO THE INITIAL BUDGET	ADJUSTMENTS	AMOUNTS ACCORDING TO THE FINAL BUDGET*	EXACT AMOUNTS ON A COMPARATIVE BASIS	DEVIATIONS FROM THE FINAL BUDGET
Revenue					
General Fund					
Personal and corporate income taxes	19 936 000	2 582 774	22 518 774	22 871 895	353 121
Subventions and donations	13 139 875	503 374	13 643 249	13 513 775	(129 474)
Local taxes and charges	10 097 600	1 025 788	11 123 388	11 535 448	412 060
Excise tax on the excisable goods sold by retailers	1 874 190	(106 227)	1 767 963	1 732 730	(35 233)
Administrative fees and charges, revenue from non-commercial business activities	574 102	70 561	644 663	659 740	15 077
Duties and fees for the special use of natural resources	29 340	17 463	46 803	52 918	6 115
Other non-tax proceeds and other budget revenue	17 520	42 177	59 697	81 243	21 546
Special Fund					
Own revenue proceeds of budget institutions	959 685	(16 285)	943 400	3 459 455	2 516 055
Subventions from the State Budget	1 153 087	729 560	1 882 647	1 882 644	(3)
Special purpose funds	245 000	15 679	260 679	303 053	42 374
Funds from sales of land, intangible assets and from privatization	489 200	-	489 200	237 505	(251 695)
Environmental tax	69 500	-	69 500	42 157	(27 343)
Other taxes and duties	-	835 000	835 000	248 608	(586 392)
Other non-tax proceeds	528 400	-	528 400	509 703	(18 697)
<b>Total revenues</b>	<b>49 113 499</b>	<b>5 699 864</b>	<b>54 813 363</b>	<b>57 130 912</b>	<b>2 317 549</b>
Expenditures					
Education	(15 569 788)	1 164 815	(14 404 973)	(14 968 913)	(563 940)
Health Care	(10 542 280)	1 367 739	(9 174 542)	(10 248 722)	(1 074 180)
Social Care and social security	(9 020 300)	36 552	(8 983 748)	(8 719 686)	264 062

IN THOUSANDS OF HRYVNIAS(UKRAINIAN NATIONAL CURRENCY)	AMOUNTS OF FUNDS ACCORDING TO THE INITIAL BUDGET	ADJUSTMENTS	AMOUNTS ACCORDING TO THE FINAL BUDGET*	EXACT AMOUNTS ON A COMPARATIVE BASIS	DEVIATIONS FROM THE FINAL BUDGET
Construction	(6 476 140)	4 175 065	(2 301 075)	(2 156 177)	144 898
Housing and utilities	(3 349 219)	(481 480)	(3 830 699)	(3 649 255)	181 444
Transport, road facilities, communication, telecommunications and informational technologies	(8 059 465)	(3 563 842)	(11 623 307)	(10 960 790)	662 517
Culture and arts	(995 637)	17 733	(977 904)	(967 813)	10 091
State administration	(1 723 238)	46 448	(1 676 790)	(1 829 070)	(152 280)
Other services related to economic activities	(2 920 888)	(346 368)	(3 267 256)	(3 221 111)	46 145
Special purpose funds	(343 916)	343 916	-	-	-
Physical Culture and Sports	(573 467)	5 559	(567 908)	(556 800)	11 108
Debt servicing	(494 340)	82 450	(411 892)	(393 443)	18 448
Transfers to the State Budget	(163 510)	13 546	-	-	-
Other expenses	(266 777)	(177 932)	-	-	-
Total expenditures	(60 498 966)	2 684 199	(57 814 767)	(58 201 492)	(386 725)
Surplus (Deficit) for the reporting period	(11 385 468)	8 384 064	(3 001 404)	(1 070 580)	1 930 824

\* Approved by local councils in the statementing year, with reference to changes. account

## Report on the performance of the Kyiv City's Budget for 2017

IN THOUSANDS OF UKRAINIAN HRYVNIA	ORIGINAL BUDGET AMOUNTS	ADJUSTMENTS	FINAL BUDGET AMOUNTS	ACTUAL AMOUNTS ON A COMPARATIVE BASIS	DEVIATIONS FROM THE FINAL BUDGET
Revenues					
General fund					
Personal and corporate income taxes	16 236 200	1 125 482	17 361 682	17 653 790	292 108
Subventions and dotations	9 066 705	4 144 684	13 211 389	13 047 313	(164 076)
Local taxes and charges	9 130 200	417 771	9 547 971	9 726 354	178 383
Excise taxes on excisable goods sold by retailers	1 534 500	125 040	1 659 540	604 802	(93 939)
Administrative fees and charges, revenue from non-commercial business activities	500 800	37 008	537 808	50 994	66 994
Duties and fees for the special use of natural resources	50 550	919	51 469	50	(475)
Other non-tax proceeds and other budget revenue	23 200	307 803	331 003	332 802	1 799
Other taxes and duties				24 159	24 159
Special Fund					
Own revenue proceeds of budget institutions	781 033	-	781 033	2 650 889	1 869 856
Subventions from the State Budget		713 744	713 744	713 744	
Special purpose funds	266 000	-	266 000	291 547	25 547
Funds from the sale of land, intangible assets and from privatization	330 000	(100 000)	230 000	171 924	(58 076)
Environmental tax	42 300	-	42 300	61 877	19 577
Other taxes and duties		830 610	830 610	1 039 508	208 898
Other non-tax proceeds	276 600	202 777	479 377	829 804	350 427
Total revenue	38 238 088	7 805 838	46 043 926	48 765 108	2 721 182
Expenditures					
Education	(10 807 218)	(845 657)	(11 652 875)	(11 538 620)	114 255
Health care	(7 631 039)	(894 363)	(8 525 402)	(9 329 577)	(804 175)
Social care and social security	(5 796 028)	(2 160 584)	(7 956 612)	(7 857 564)	99 048
Construction	(1 550 088)	(6 076 112)	(7 626 200)	(7 276 192)	350 008

IN THOUSANDS OF UKRAINIAN HRYVNIAS	ORIGINAL BUDGET AMOUNTS	ADJUSTMENTS	FINAL BUDGET AMOUNTS	ACTUAL AMOUNTS ON A COMPARATIVE BASIS	DEVIATIONS FROM THE FINAL BUDGET
Housing and utilities	(4 366 773)	(263 735)	(4 630 508)	(4 364 118)	266 390
Transport, road facilities, communication, telecommunications and informational technologies	(2 715 590)	(847 130)	(3 562 720)	(3 258 851)	303 869
State administration	(1 276 114)	(94 451)	(1 370 565)	(1 592 324)	(221 759)
Culture and arts	(1 330 006)	(80 567)	(1 410 573)	(1 458 718)	(48 145)
Other services related to economic activities	(976 957)	(443 609)	(1 420 566)	(1 362 179)	58 387
Special purpose funds	(422 681)	(24 840)	(447 521)	(433 359)	14 162
Physical culture and sports	(309 900)	(68 788)	(378 688)	(351 273)	27 415
Debt servicing	(11 018)	(258 636)	(269 654)	(265 936)	3 718
Transfers to the State Budget and others budgets	(621 600)	584 000	(37 600)	(15 060)	22 540
Other expenses	(424 577)	(83 346)	(507 923)	(417 047)	90 876
Total expenditures	(38 239 589)	(11 557 818)	(49 797 407)	(49 520 818)	276 589
Deficit for the reporting period	(1 501)	(3 751 980)	(3 753 481)	(755 710)	2 997 771

## Reconciliation of consolidated financial results and performance of the Kyiv City's Budget for 2018

IN THOUSANDS OF UKRAINIAN HRYVNIAS	Note	2018	2017
Budget performance results		(1 070 580)	(755 713)
(I) Recognition of non-operating foreign exchange differences on Eurobonds and adjustment of finance costs accrued on a cash basis		-	(1 116 057)
(II) Elimination of budget revenue from dividends of corporate entities and withdrawal of a share of profit of municipal entities		-	(49 507)
(III) Share in the financial results of associates after tax		-	-
(IV) The financial result of municipal entities, budget institutions corporate entities not included into the budget of Kyiv city and adjusted for the effect of eliminated adjustments in the budget expenditures		(4 891 858)	(269 183)
(V) Adjustment of proceeds from taxes and charges accrued by the cash basis		(1 015 639)	1 438 506
(VI) Effect of residential property de-recognition as a result of privatization		2 375 152	-
(VII) The result of receivables recognition on the planned allocation of benefits and subsidies to households		-	395 122
(VIII) Effect of eliminated adjustments in the budget expenditures		8 200 773	5 281 861
Consolidated surplus for the reporting period		3 597 848	4 925 029

I. OI. Since the report on budget fulfilling reflects transactions using the cash basis method of accounting, budget performance results were adjusted to recognize foreign currency exchange differences arising on foreign currency denominated debt obligations.

II. Budget revenue includes dividends received from corporate entities and the share of profit from municipal entities. Since the special purpose consolidated financial information provides for consolidation of these entities, changes in equity were netted off against relevant budget revenues.

III. Budget performance report does not include losses of associates for the reporting period, therefore the financial results of their activities were added to the Special Purpose Consolidated Financial Information in the course of consolidated information preparation

IV. The budget performance report does not include gains / losses of municipal entities, budget institutions and corporate entities for the reporting period, therefore, in the process of consolidation; the results of their activities are added to the Special Purpose Consolidated Financial Information.

V. Proceeds from taxes and duties were included to budget revenue using the cash basis method of accounting. The adjustment represents the application of the accrual method of accounting of taxes and fees.

VI. Budget performance report does not include losses for the reporting period from residential property de-recognition as a result of privatization.

VII. Part of the expenditures on payment of benefits and subsidies to households was not ensured by the planned allocations of such expenditures by the state during 2018 and 2017, respectively, the consolidated financial result was adjusted for this amount.

VIII During the preparation of the consolidated information, the local budget expenditures were eliminated against the revenues received by budgetary organizations and municipal entities from the city budget.

# 1. General information

The Special Purpose Consolidated Financial Information of Kyiv city includes information on the executive body of the Kyiv City Council (Kyiv City State Administration) (hereinafter referred to as the e.b. of «KCC» or «KCSA»), 21 department of the executive body of KCC (2017: 20 departments), 10 district state administrations («DSAs») (2017: 10 DSAs) and 1,872 (2017: 1,901) directly or indirectly accountable municipal entities, institutions, and organizations of Kyiv city's community (including 385 communal entities and 1 485 budget institutions (2017: 393 communal enterprises and 1 508 budget institutions), except for the City's enterprises, institutions and organizations in the process of reorganization or liquidation (Note 4). As at December 31, 2018 and December 31, 2017, the territorial community of Kyiv had a share in corporate rights and control over 7 corporate companies, its subsidiaries (altogether referred to as the «City»).

The principal activities of the City are represented by rendering services for the development of infrastructure, Health Care, communication, education, transport, sports and culture, social protection, waste management, emergency services, energy and water supply and other utilities for the residents of Kyiv city, as well as services of comprehensive development, improvement and maintenance of urban land.

Legal address of the Kyiv City State Administration is at: 36 Khreshchatyk Street, Kyiv, 01044, Ukraine. Budget organizations, municipal entities, and corporate companies are registered and operate in Kyiv.

## 2. The Economic Environment of the Kyiv City

In recent years, Ukraine has been in a state of political and economic upheavals.

In 2018 there is a gradual recovery of the economy. Particularly, in 2018 the inflation rate was 9.8% compared to 13.7% in 2017, the real GDP growth of 3.3% (2017: 2.5%), the national currency to foreign currencies did not change significantly.

In September 2017, the international rating agency Moody's changed from stable to positive outlook for credit ratings of the City of Kyiv in foreign and local currencies, and raised the City's credit ratings from the Saa to Saa3 level, taking into account the increase of the credit rating of Ukraine and the change of the forecast from stable to positive. In November 2018, the Moody's rating agency revised the city of Kyiv from Saa3 to Saa2, and in December 2018, from Saa2 to Saa1, changing the outlook for the rating from stable to positive.

In September 2017, the international rating agency Fitch confirmed the long-term default rating of the issuer in the foreign and national currency of Kyiv at the level of B-. In addition, the agency raised its national long-term issuer rating from BBB (ukr) to A- (ukr) with a stable outlook. In March and September 2018, as well as in March 2019, the international rating agency Fitch confirmed the long-term default rating of the issuer in the foreign and national currency of Kyiv at the B-level with a stable outlook.

The further stabilization of the economic and political situation depends to a large extent on the success of the Ukrainian government, while the development and impact of these factors on Ukraine and the City of Kyiv is difficult to predict.

### 3. Basic principles of accounting policies

**Basis of preparation.** The Special Purpose Consolidated Financial Information of the City (hereinafter «The Consolidated Financial Information») has been prepared based on the significant accounting policies described in this Note in accordance to the requirements of International Accounting Standards for the State Sector (IASS) issued by the International Accounting Standards Board for the State Sector (IASBSS). This Consolidated Financial Information is not fully consistent with the IAASS according to the limitations and deviations outlined in the Description of the Approach to the preparation of consolidated financial information of a special purpose.

This consolidated financial information is prepared on the basis of the City's accounting policies in accordance to the historical cost basis, except for property, plant and equipment and certain categories of financial instruments that were accounted for at revaluation cost and fair value respectively, and taking into account the list of restrictions and approach to the preparation of the consolidated financial information of the City.

**Consolidation of controlled enterprises.** Controlled enterprises are all economic entities concerning which the City has the authority to manage their financial and operating activities. The controlled enterprises are to be fully consolidated since the date the City begin to control them. Their consolidation shall cease since the date of loss of control of the City over these enterprises. Operations between City enterprises and balances of their transactions, as well as unrealized profits and losses on transactions between them, should be completely curtailed during the consolidation. If controlled companies use accounting policies that are different from the City's accounting policies, the financial information about these enterprises has been the subject to appropriate adjustments for the purpose of preparing the consolidated financial information of the City.

**Associates.** Investments of the City in associates are accounted by using the equity method. In accordance with the equity method, an investment in an associate is recorded in the statement of financial status at initial cost plus changes in the City's share of the financial result after taxation of the associate after the acquisition.

The statement of financial results reflects a share in the results of the associate's activities. In the case of changes recognized directly in the net assets of an associate, the City recognizes its share in these changes and discloses the relevant information in all necessary cases in the consolidated statement of changes in net assets. Unrealized profits and losses on transactions between the City and its associates are excluded from the amount of the City's share in these associate companies.

The City determines the need for recognition of additional impairment losses on the investments of the City in its associates after applying the equity method.

If there are signs of impairment of investments, the City calculates the amount of the impairment as the difference between the cost of reimbursement of the associate and its carrying amount and recognizes the corresponding amount in the consolidated statement of income. However, if the City's share of the loss of an associated company is equal or exceeds its share in that associate, including any other unsecured amounts receivable, the City shall not recognize future losses, except of the cases when it has undertaken or made payments on behalf of associated company.

**Foreign currency translation.** The functional currency of the City and consolidated enterprises is Ukrainian hryvnia ("UAH"), the national currency of Ukraine.

Monetary assets and liabilities are translated into the functional currency of each company at the official exchange rate established by the National Bank of Ukraine (the "NBU") at the end of the reporting period. Profits and losses on foreign exchange differences are recorded in the surplus or deficit for the reporting period.

The exchange rates of major world currencies to the Ukrainian hryvnia, established by the NBU as at December 31, 2018 and 2017, are indicated below:

	AS AT DECEMBER 31, 2018	AS AT DECEMBER 31, 2017
UAH /USD	27,6883	28,0672
UAH /EUR	31,7141	33,4954

Profits and losses on exchange rates related to borrowings are presented in the consolidated statement of financial results in the form of financial incomes or costs. All other gains and losses from the exchange differences are presented in the consolidated statement of financial results for other expenses. Translation at the end of the year rates does not apply to non-monetary items that are valued at their original cost. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates that were effective at the date of determination of fair value.

**Property, plant and equipment.** Property, plant and equipment are accounted for revalued amounts, less accumulated depreciation and impairment allowance, if it is required.

Fair value is determined by the valuation of external independent appraisers or internal experts with relevant knowledge and experience. An increase of book value of property, plant and equipment, resulting from a future revaluation, is credited to other comprehensive income and leads to an increase in the revaluation reserve. A decrease of book value of an asset that offsets the previous increase in the book value of the same asset is recognized in other comprehensive income and results in a decrease in the previously recognized revaluation reserve. All other cases of reduction in the book value are recorded in the surplus or deficit for the reporting period. The revaluation reserve of property, plant and equipment is transferred directly to retained earnings in the event that the revaluation amount is realized, that is, when the asset is sold or written off, or when the City does not continue to use it. In the case of a revaluation of an item of property, plant and equipment, accumulated depreciation at the date of the revaluation is excluded from the gross carrying amount of the asset, and the net worth is transformed to the revalued amount of the asset.

The cost of replacing those components of property, plant and equipment that are recognized separately is capitalized, and the carrying amount of the replaced components is deducted. Other subsequent expenses are capitalized only in those cases, if they lead to increase of future economic benefits from the fixed asset. All other expenses are recognized in profit or loss during the period in which they were incurred.

The costs of ongoing repairs and maintenance are expenses incurred during the period in which they were incurred.

Recognition of property, plant and equipment is discontinued after their retirement or if the continued use of the asset is not expected to bring future economic benefits or lead to the implementation of operating capacity. Gains and losses on disposals determined by comparing proceeds with the carrying amount of property, plant and equipment are recognized in the consolidated statement of financial results.

At the end of each reporting period, the City evaluates property, plant and equipment for their possible impairment. If such indications exist, the City shall determine the cost of reimbursing an asset as its fair value excluding sales costs or the cost of using an asset, whichever is bigger. The book value is reduced to the cost of the consideration or to the cost of service reimbursement and the impairment loss is recognized in profit or loss in an amount that exceeds the amount of the previous positive revaluation. Impairment losses recognized in prior periods should be reversed if the estimates used to determine the recoverable amount of the asset since the date of recognition of the last impairment loss have changed.

**Depreciation.** Depreciation on items of property, plant and equipment is calculated using the straight-line basis to allocate their cost to residual values over their estimated useful lives:

• Land plots	not depreciated
• Buildings and constructions	up to 100 years
• Machinery and equipment	5-30 years
• Vehicles	10-40 years
• Tools, fixtures, and fittings	3-25 years
• Other property, plant and equipment	2-15 years
• Leasehold improvement	Over the term of the underlying lease

Leased assets include vehicles and production equipment.

The assets' residual values and the terms of their operation are reviewed and adjusted prospectively, if necessary, at the end of each reporting period.

**Service concession assets.** The City analyzes all aspects of service concession arrangements that it enters into. When the City acts as a grantor, it recognizes the service concession asset if the following conditions are met:

- The City controls or regulates the services that an should provide together with the asset, as well as has the right to determine the conditions for the provision of such services;
- The City controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

Assets transferred to a concession are accounted for as a separate group of property, plant and equipment. At the moment of transfer of the asset to the concession group, the City also recognizes a liability at an initial cost that corresponds to the value of the concession asset.

The City recognizes the obligation under the concession contracts using the model of the financial liability. According to this model, the City recognizes the obligation to pay cash or other financial assets to the operator in the event of improvement of the concession asset, or the creation of a new asset belonging to this concession contract.

The book value of an asset is reduced directly to the cost of its reimbursement or to the cost of service reimbursement if the book value exceeds the estimated cost of recovering the asset or the cost of the service reimbursement.

**Investment Property.** Investment property includes objects held for the purpose of obtaining lease payments and / or increase of the capital. Investment property objects are initially measured at their original cost, including acquisition costs. When investment property is acquired in non-exchange transactions, its initial value is measured at fair value as at the acquisition date. After initial recognition, investment property objects are estimated at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss during the period in which they occur.

Investment property ceases to be recognized after its retirement or final decommissioning when no future economic benefits associated with it are expected. Any profit or loss arising from the cessation of recognition of a property (calculated as the difference between net proceeds from disposal and the carrying amount of an asset) is included in the surplus or deficit of the period in which investment property ceases to be recognized.

**Finance leases.** Finance leases are leases that cover all risks and benefits associated with leased asset and transferred to the City. Assets held under conditions of the finance leases are capitalized from the date of commencement of the lease at the fair value of the leased property or at the present value of future minimum lease payments, if it is less. The City also recognizes the liability related to the lease at the time of the beginning of the lease. The recognized liability is measured at the current value of future minimum lease payments at initial recognition.

After initial recognition, lease payments relate to financial expenses and to reduction of lease liabilities to obtain a constant interest rate from the residual amount of the liability. Financial expenses are recognized in surplus or deficit financial expenses.

Assets held under financial leasing are depreciated during the life of the asset. Assets are depreciated over their estimated useful life or lease term, depending on what term is shorter, if the City is not reasonably sure that they will acquire ownership of the asset by the end of the lease term.

**Operating leases.** The lease, whereby all risks and benefits associated with the leased asset are not transferred by the City, is classified as operating lease. Lease income derived from operating leases is recognized in income equally throughout the lease term. Contingent rental incomes are recognized in incomes during the period of their actual come.

## Depreciation of non-financial assets

**Depreciation of cash-generating assets.** For each reporting date, the City shall determine the existence of objective evidences of impairment of assets. In the presence of such evidences or, if it is necessary to make an annual test for the subject of impairment, the City evaluates the cost of the reimbursement of such an asset – the fair value of the asset or cash-generating unit minus the cost of sale or the cost of using the asset, what is bigger. The cost of reimbursement is determined for an individual asset, except the cases when there are no cash flows from the assets that are largely independent from cash flows that flow from other assets or groups of assets.

When the book value of an asset or cash-generating unit exceeds its recoverable amount, that asset is considered impaired and its value is reduced to the amount of the consideration.

The cash generating unit is the smallest identifiable asset unit that generates cash inflows, which are largely independent of cash inflows from other assets or groups of assets.

During the estimating of value of using them, estimated future cash flows are discounted to their present value using a discount rate before taxation, reflecting current market estimates of the value of money in time and the risks inherent to this asset. In order to determine the fair value after cost excluding sales costs, the data of the latest market transactions, if any occur, are taken into account.

**Depreciation of non-cash-generating assets.** For each reporting date, the City should provide the evaluation whether there are signs of impairment of non-cash-generating assets. In the presence of such signs or when necessary to conduct an annual test for the impairment of an asset, the City assesses the cost of its reimbursement. The cost of an asset reimbursement is its fair value excluding sales costs or the cost of using an asset, depending on what is bigger.

For the determination of fair value excluding sales costs, the price of the mandatory underlying assets is used within the voluntary unrestricted transaction, adjusted for additional costs that are directly related to the sale of the asset. If an asset is not subject to an obligation to execute the transaction, but it is traded on an active market, the fair value excluding sales costs is the market value of the asset minus sales costs. In the absence of an obligation to execute a sale or active market for an asset, the City determines the fair value excluding sales costs based on information available to it.

For each reporting date, an assessment is made of the existence of evidence that an impairment loss recognized in relation to an asset has not existed or decreased. If such features are available, the City determines the cost of reimbursement. An impairment loss recognized for an asset in prior periods is reversed if the prior assumptions used to determine the recoverable amount of the asset since the date of recognition of the last impairment loss have changed. The amount of reversal is limited in such a way that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined (minus depreciation) if no impairment loss was recognized in prior years. This reversal is recognized as being in surplus or deficit.

**Intangible assets.** Acquired separately intangible assets are initially recognized at their original cost. The value of intangible assets acquired under a non-exchange transaction is their fair value at the date of exchange. After initial recognition, intangible assets are stated at historical cost less accumulated depreciation and impairment, which is reflected in surplus or deficit.

Intangible assets with a limited useful life are depreciated over their useful life:

- Software – 10 years;
- Other intangible assets in accordance with the useful life – no more than 20 years.

Intangible assets with a limited useful life are assessed for impairment if the signs of impairment of an asset occur.

Terms and depreciation methods for intangible assets with a limited useful life are reviewed at the end of each reporting period. Changes in expected use periods or in the expected pattern of obtaining future economic benefits associated with an asset are accounted for when the depreciation period or depreciation method is changed in appropriate cases and accounted for as changes in accounting estimates. Depreciation costs for intangible assets with a limited useful life are recognized as surplus or deficits in the cost category, which is in line with the nature of the intangible asset.

Terms and depreciation methods for intangible assets with a limited useful life are reviewed at the end of each reporting period. Changes in expected use periods or in the expected pattern of obtaining future economic benefits associated with an asset are considered in case of change of the depreciation period or method, where applicable and are accounted in the accounting records as changes in accounting estimates. Expenses for depreciation of intangible assets with a limited useful life are recognized as surplus or deficit in the expenses category, which corresponds to the nature of the intangible asset.

Profits and losses arising from the cessation of recognition of an intangible asset are measured as the difference between net proceeds from the disposal of an asset and its carrying amount and recognized in the surplus or deficit in the period in which the asset was derecognised.

## Financial instruments

**Initial recognition and measurement.** Financial assets that fall within the scope of IAASS 29 “Financial Instruments: recognition and measurement ” are classified as financial assets at fair value through profit or loss, loans or available-for-sale financial assets. The City defines the classification of its financial assets at first initial recognition.

Transactions in acquisition or sale of financial assets are recognized on the date when the City undertakes the responsibility to purchase or sell the asset.

**Loans and receivables.** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial valuation, such

financial assets are carried at amortized cost using the method of effective interest rate, minus any impairment losses. Amortized cost is calculated considering the premium or discount during the acquisition and the income or expense included in the calculation of the effective interest rate. Impairment losses are recognized in surplus or deficit.

**De-recognition.** The City derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- Rights to receive cash flows from the asset have expired or been waived;
- The City has transferred the rights to receive cash flows from the asset with the simultaneous acceptance of the obligation to pay them fully to a third party without significant delays in the transfer agreement, while (a) the City has also transferred substantially all the risks and benefits, or (b) the City did not transfer or retain basically all the risks and benefits of ownership of the asset but ceased to do control.

**Available-for-sale investments.** The city classifies investments available for sale as non-derivative financial assets classified as available-for-sale and not included in other categories of loans and receivables, held-to-maturity assets or financial assets carried at fair value with changes in surplus or deficit in current period.

Subsequent to initial valuation, available-for-sale investments are subsequently measured at fair value, profits and losses on changes of what recognized directly in net assets in the statement of changes in net assets until the date of the cessation of recognition of the investment, when the cumulative profit or loss is recognized in surplus or deficit.

**Impairment of financial assets.** For each statement date, the City assesses whether there are any signs of impairment of financial assets or a group of financial assets. A financial asset or a group of financial assets is considered impaired, if only there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset (the occurrence of an «event of loss»), and this loss event has an impact on the expected future cash flows from a financial asset or a group of financial assets that can be measured reliably.

Signs of depreciation may include the following situations:

- the debtor or a group of debtors suffer significant financial difficulties;
- default or delay in repayment of the whole sum of debt or interest;
- probability of bankruptcy or other financial reorganization of debtors;
- availability of data, indicating the objective reduction of estimated future cash flows (for example, delinquency or changes in economic conditions that are in default).

## Financial liabilities

**Initial recognition and measurement.** Financial liabilities that fall within the scope of IAASS 29 are classified as financial liabilities that are required to be measured at fair value with changes in surplus or deficit, or borrowings and loans. The City defines the classification of its financial liabilities at initial recognition.

When initially recognized, all financial liabilities should be recognized at fair value and in the case of borrowings and loans, taking into account the direct costs associated with the transaction.

The financial liabilities of the City include credit arrears concerning main activities, other credit arrears, bank overdrafts, borrowings, loans from international organizations, issued own debt bonds and financial lease commitments.

**De-recognition.** A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires.

When replacing one existing financial liability with another obligation to the same creditor on substantially discretionary terms or in case of material changes to the terms of an existing obligation, the recognition of the original obligation is terminated and the new liability is recorded in accounting with recognition the difference in the book value of liabilities in the surplus or deficit.

**Offsetting of financial instruments.** The offsetting of financial assets and liabilities, followed by the inclusion in the consolidated statement of financial position only of their net amount, may be made only if there is a legally determined right to offset the recognized amounts when it intends to make a calculation based on the net amount or at the same time realize the asset and pay off liabilities.

**Fair value of financial instruments.** The fair value of financial instruments traded on active markets for each statementing date is determined on the basis of market quotations or dealer prices (for long positions the price of demand is taken, and for short positions the price of the offer is taken).

Amortized cost is the value at initial recognition of a financial instrument minus principal repayments plus accrued interest, and for financial assets – minus any reduction in the value of incurred impairment losses. Accrued interest includes depreciation of deferred expense on an initial recognition basis and any premiums or discounts from the redemption amount using the effective interest method. Accrued interest income and accrued interest expense, including amortized discount or premium, are included in the book value of the related items.

An effective interest rate method is a method of allocating interest income or interest expense during the period of validity of a financial instrument before its repayment period has occurred in purpose of to obtain a constant interest rate (effective interest rate) from the carrying amount of the instrument. An effective interest rate is the interest rate at which estimated future cash payments or receipts (excluding future credit losses) are accurately discounted for the expected period of validity of the financial instrument or, as appropriate, for a shorter period to the net carrying amount of the financial instrument. The effective interest rate is used to discount the cash flows of floating rate instruments until the next date of interest rate changes, except for the premium or discount, which reflects the credit spread over the floating rate set for this instrument or other variables that do not vary according to market rates. Such premiums or discounts are depreciated over the entire expected period of validity of the instrument. The calculation of the present value includes all commissions and payments paid or received by the parties to the contract, which is an integral part of the effective interest rate.

**Inventories.** Inventories are measured at the lower of cost and net realizable value. The cost of raw materials, spare parts and goods should be accounted for using the method «First income – first expense» (FIFE); the cost of goods and materials that do not replace each other, at an identified cost. Inventories are measured at the lower of cost and net realizable value.

**Receivables from exchange and non-exchange transactions.** Receivables from exchange transactions are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method minus the allowance for impairment losses. A provision for impairment of receivables is created when there is objective evidence that the City will not be able to obtain the full amount of the debt in accordance with the initial conditions. Accounts receivable for non-exchange transactions consist of taxes and fees payable to the City budget.

Cash and cash equivalents. Cash and cash equivalents consist of cash on hand, bank deposits on demand, balances on the Treasury accounts, and other highly liquid short-term investments with an original maturity of three months or less, which can be converted into known cash amounts promptly. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined, minus bank overdraft arrears.

**Provisions.** Provisions are recognized when the City has a present obligation (legal or constructive) as a result of a past event and it is probable that the resources will be disposed of in a manner that reflects the economic benefits and the amount of the obligation can be measured reliably.

When the City expects that some or the entire provision be reimbursed (for example, under an insurance contract), the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of financial results net of any reimbursement.

**Contingent liabilities.** The City does not recognize contingent liabilities but discloses details of any contingencies in the notes to the Consolidated Financial Information. In cases when a liability will require disposal of resources embodying economic benefits is negligible, such contingent liabilities are not recognized in the Consolidated Financial Information components and information about such contingent assets is not disclosed in the notes.

**Employee benefits.** The cost for all short-term employee benefits, such as vacation payments, are recognized in the period in which the employee is provided with appropriate services. The City the expected relevant costs of the performance of awards only when the City has a current legal or constructive obligation to make such a payment, and its amount can be estimated reliably.

**Payments received in advance from non-exchange transactions.** Payments received in advance from non-exchange transactions include taxes and charges received by the City before the occurrence of a tax event and are accounted for as the City's liabilities.

**Net assets.** Net assets represent a residual part in the City's assets after deduction of all of its liabilities. Net assets may be either positive, or negative.

**Budget information.** The City's annual budget is cash based. The reconciliation of planned expenses and revenues is presented in the report on the implementation of the budget of the city of Kyiv. Due to the application of cash basis principles for budgeting purposes, there are differences related to the use of different accounting methods, terms or business entities that require reconciliation of the actual comparative amounts and amounts presented as a separate additional financial report.

**General Fund.** The General Fund of the budget provides funding for financing functions and tasks of the state and local communities. The components of the General Fund of the budget are:

- All budget revenues, except those referring to the budget's Special Fund;
- All budget expenditures made at the cost of the General Fund proceeds;
- Budget lending facilities (repayment of general purpose borrowings to the budget and granting loans from the General Fund's budget proceeds);
- Financing the General Fund of the budget.

**Special Fund.** The Special Fund of the budget provides for special purpose use of budget funds according to their intended purpose. In the Special Fund, specific proceeds correspond to

specific expenditures. Capital expenditures may be incurred only within the limits of the Special Fund. The components of the budget's Special Fund are:

- Special purpose budget revenues (including own revenue proceeds of budget institutions);
- Budget expenditures made at the cost of specifically determined revenues of the budget's Special Fund (including own revenue proceeds from budget institutions);
- Budget lending facilities (repayment of special purpose borrowing to the budget and granting loans from the budget, which is carried out at the expense of the specifically determined proceeds of the budget's Special Fund);
- Financing of the Special Fund of the budget.

## Income from non-exchange transactions

**Taxes and charges.** Taxes and charges are measured at fair value and recognized at the moment they occur and are the subjects to the asset recognition criteria. Deferred income is recognized in case the conditions occur that result in a liability to repay the relevant amount. Other income from non-exchange transactions is recognized only if it is probable that future economic benefits or the realization of the operating potential associated with the asset can be measured reliably.

**Transfers from other government entities.** Income from non-exchange transactions with other government entities are measured at fair value and recognized when the asset (cash, goods, services and property) is controlled and if the transfers are not burdened with conditions, when it is probable that future economic benefits or realization of the operating potential associated with the asset will flow to the city, and its value can be measured reliably.

## Income from exchange transactions

**Provision of services.** The City recognizes revenue from the provision of services, given the degree of completion of services, when the outcome of a particular operation can be estimated reliably. The degree of completion is estimated, taking into account the volume of actually rendered services as a percentage of the total estimated volume of services to be provided under the contract. If the results of the contract cannot be estimated reliably, the revenue is recognized only in an amount that enables it to recover the incurred expenses.

**Sales of products.** Revenues from the sale of products (goods, other assets) are recognized if all of the following conditions are executed: risks and rewards of ownership of the product (goods, other assets) are transferred to the buyer; the enterprise does not carry out further management and control over the sold products (goods, other assets); the amount of revenue (revenue) can be reliably determined; there is confidence that the transaction will increase the economic benefits of the enterprise or the realization of economic potential, and the costs associated with this operation can be accurately determined.

**Rental income.** Rental income is recognized in the accounting period in which the services are provided, to the extent of the services actually provided.

**Income from construction contracts.** If the final result of a construction contract can be estimated reliably, the contract revenue and expenses associated with the construction contract are recognized as revenue and expense with reference to the stage of completion of the contract at the end of the reporting period. The expected loss under a construction contract is immediately recognized as an expense.

**Income tax.** In this Consolidated Financial Information, income tax is provided in accordance with the Ukrainian legislation that was in force or actually enacted as at the reporting date. Income tax charge / credit consists of current tax and deferred tax and is recognized in surplus or deficit, except when it relates to operations recognized directly in other comprehensive income or directly in equity for the same or different period.

**Current tax** is the amount that is expected to be paid to, or recovered from, the tax authorities in respect of taxable profits or losses for the current and prior periods. Other taxes, except for income tax are recorded within other expenses.

**Deferred tax.** Deferred income tax is provided using the balance sheet liability method for tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Under initial recognition exemption, deferred tax is not recognized for temporary differences that arise on initial recognition of an asset or liability that does not affect the financial result or taxable income as a result of operation, what is not particularly a merger of companies.

Deferred tax balances are measured at tax rates that have been enacted as at the reporting date and which are expected to be applied in the period when temporary differences are going to be reversed or tax losses carried forward are credited.

Deferred tax assets arising from deductible temporary differences and tax losses carried forward are recognized only to the extent that it is probable that the temporary differences are going to be reversed in future, and there are sufficient future taxable profits available against which the temporary differences can be utilized.

**Value Added Tax (VAT).** VAT is charged at two rates: 20% is charged on the supply of goods or services where the supply takes place in Ukraine, including supplies without direct payment, and the import of goods to Ukraine (unless such supplies are expressly exempt by the legislation); 7% applies to the supply and import operations in the customs territory of Ukraine of all medical devices that are entered in the State Register of Medical Equipment and Medical Devices or meet the requirements of the relevant technical regulations, as evidenced by the document of conformity, and are allowed to be placed on the market and / or commissioning and use in Ukraine, 0% applies to the export of goods and related services. Output VAT on the sale of goods and services is accounted for on the date the goods/services are delivered to a customer or the date the payment is received from the customer, whichever is earlier. Input VAT for businesses which are registered as VAT payers is accounted for as follows: the right to input VAT credit on purchase arises at the time of receipt of the VAT invoice issued at the time of payment to the supplier or at the time of receipt of the goods or services, in dependence what event has occurred before, or the right to input VAT credit on the import of goods or services arises at the moment of tax payment. For businesses that are not registered as VAT payers, the input VAT is included in the cost of goods, works, services purchased, and is charged to the period or capitalized accordingly.

Prepayments to suppliers and advances from customers are shown without VAT, since it is expected that such amounts will be paid for by supplying the relevant goods or services.

**Related parties.** Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise a significant influence or joint control over the other party in making financial and operational decisions.

Related parties include:

- Entities that directly or indirectly through one or more intermediaries control or are under the control of the entity;

- Associated companies;
- Individuals who, directly or indirectly, own a reporting part of entity that provides them the significant influence on that entity, as well as close family members of any such entity;
- Key management staff and family members of leading management staff;
- Entities in which a substantial part of the property belongs directly or indirectly to the person referred to in the third or fourth paragraphs, or those to which such person is capable of exercising significant influence.

## 4. Critical accounting estimates and judgments used in applying accounting policies

In applying of accounting policies, Management of the City makes judgments and estimates. The accounting estimates and judgments are constantly analyzed based on management's experience and other factors, including expectations about future events that management believes are justified in the light of current circumstances. Judgments that have the most significant impact on the amounts reflected in the Consolidated Financial Information, as well as estimates that may result in significant adjustments to the carrying amounts of assets and liabilities during the next reporting period include:

**Assessment of receivables from exchange transactions.** Receivables from exchange transactions including receivables from households for utilities, are reviewed for impairment on an ongoing basis. In determining the need to reflect the impairment loss as a part of the surplus / (deficit) for the reporting period, the City analyzes the receivables for exchange transactions by maturity. Depending on the overdue period, the City applies the following provisioning rates:

- Less than 179 days overdue – 0%;
- From 180 to 365 days overdue – 50%;
- More than 365 days overdue – 100%.

**Assessment of investments in associates and subsidiaries.** The city has 385 municipal enterprises and 1 485 budgetary institutions, of which the consolidated financial information includes performance indicators for 284 municipal enterprises and 1,508 budgetary organizations (2017: 385 municipal enterprises and 1,508 budgetary organizations).

The City also has investments in 35 enterprises (2017: 37 enterprises) with a share of ownership from 1% to 100%. As at December 31, 2018, the City had no control or significant impact on 19 enterprises (2017:13 enterprises), of which 11 are in liquidation, 8 do not carry out economic activities. Investments in such entities have not been classified as associates or subsidiaries. Assets, liabilities and financial results of the entities in liquidation and those not operating were not included in the consolidated financial information as at December 31, 2018 and 2017.

**Deferred income.** The city uses significant judgments regarding recognition of liabilities on assets received free of charge from real estate developers and other investors. In some cases, there are no contractual liabilities regarding the transfer of assets, but since the City has certain liabilities to service these assets, which are related to the provision of public services to the

residents, the City believes that the income from assets received free of charge may be recognized during the depreciation period of these assets.

**Investment property.** The city considers that the assets held for the provision of social services, for example, for leasing to public organizations, creative unions, budget institutions of municipal and state property at lower than market rental rates, shall not be treated as investment property but be classified as property, plant and equipment. The management of the City considers that, in such a situation, assets are not held for rental income or capital appreciation, and the gain earned is related to the purposes for which such assets are held. Such properties do not belong to the category of investment property and are accounted for in accordance with the requirements of International Public Sector Accounting Standards (IPSAS) 17 «Property, plant and equipment».

**Classification of certain items of the consolidated financial information.** The consolidated financial information regarding service concession assets and non-current assets held for sale and disposal groups is presented in Notes 6 “Property, plant and equipment” and 14 “Other non-current assets”, respectively. The city classified the full amount of increased assets granted in concession to PJSC “KYIVENERGO” for 2017 in the line “Revaluation of property, plant and equipment” in Note 6 “Property, plant and equipment” due to the lack of more detailed information in the public financial statements of PJSC “KYIVENERGO” for the year ended December 31, 2017. As at December 31, 2018, there were no objects in the concession.

## 5. Related party transactions

**Key management personnel.** Information about operations with key management personnel is presented below.

Remuneration to key management personnel for 2018, the governing body of the City, was as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIA	ANNUAL PAYROLL	SOCIAL CHARGES	TOTAL ANNUAL SALARY AND ACCRUALS
Head of the Kyiv City State Administration	368	81	449
First Deputy Head of the Kyiv City State Administration	626	109	735
Deputies of the Head of the Kyiv City State Administration (6 persons)	2 510	452	2 962
Head of the Executive Office of the Kyiv City State Administration	52	11	63
Director of Architecture and Urban Construction Department	434	93	527
Director of Administrative Services Department (Center)	590	108	698
Director of Construction and Housing Department	460	101	561
Director of Internal Financial Control and Audit Department	425	93	518
Director of State Architectural and Construction Control Department of	526	96	622
Director of Urban Improvement Department	455	100	555
Director of State Registration Department	320	70	390
Director of Land Resources Department	547	120	667
Director of Information and Communication Technologies Department	495	97	592
Director of Culture Department	453	97	550
Director of Finance Department	528	108	636
Director of Social Policies Department	464	102	566
Director of Youth and Sports Department	263	40	303
Director of Transport Infrastructure Department	322	71	393
Director of Education and Science Department	499	110	609
Director of Industry and Entrepreneurial Development Department	349	77	426
Director of Public Communication Department	471	96	567
Director of State Archives in the City of Kyiv	460	92	552

IN THOUSANDS OF UKRAINIAN HRYVNIAS	ANNUAL PAYROLL	SOCIAL CHARGES	TOTAL ANNUAL SALARY AND ACCRUALS
Director of Health Care Department	592	107	699
Director of Economy and Investments Department	509	97	606
Director of Housing and Utility Infrastructure Department	419	83	502
Director of Cultural Heritage Protection Department	96	21	117
Director of Children and Family Affairs Department	469	100	569
Director of Self-Governing Control Department (Inspection)	406	89	495
Director of Environment and Natural Resources Department	319	70	389
Head of Advertising Department	290	64	354
Head of Tourism and Promotion Department	337	61	398
Total	15 054	3 016	18 070

Remuneration to key management personnel  
for 2017 was as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	ANNUAL PAYROLL	SOCIAL CHARGES	TOTAL ANNUAL PAYROLL AND RELATED CHARGES
Head of the Kyiv City State Administration	187	41	228
First Deputy Head of the Kyiv City State Administration	596	102	698
Deputies of the Head of the Kyiv City State Administration (6 persons)	2 674	502	3 176
Head of the Executive Office of the Kyiv City State Administration	201	44	245
Director of Economy and Investments Department	352	71	423
Director of Internal Financial Control and Audit Department	276	61	337
Director of Housing and Utility Infrastructure Department	285	63	348
Director of Finance Department	373	72	445
Director of Public Communication Department	365	75	440
Director of Architecture and Urban Construction Department	353	75	428
Director of Education and Science, Youth and Sports Department	344	76	420
Director of Culture Department	357	78	435
Director of Kyiv City's Municipal Property Department	332	66	398
Director of Land Resource Department	357	71	428
Director of Health Care Department	348	77	425

IN THOUSANDS OF UKRAINIAN HRYVNIAS	ANNUAL PAYROLL	SOCIAL CHARGES	TOTAL ANNUAL PAYROLL AND RELATED CHARGES
Director of Social Policies Department	411	91	502
Director of Industry and Entrepreneurial Development Department	254	56	310
Director of Administrative Services Department (Center)	435	81	516
Director of Construction and Housing Department	360	79	439
Director of Urban Improvement and Environmental Protection Department	370	74	444
Director of Transport Infrastructure Department	151	33	184
Director of Department for State Architectural and Construction Control in the Kyiv City	324	59	383
Director of Registration Department	401	74	475
Director of Information and Communication Technologies Department	355	65	420
Director of Self-Governing Control Department (Inspection)	404	89	493
Head of Tourism and Promotion Department	117	26	143
Head of Advertising Department*	13	3	16
Total	10 995	2 204	13 199

## 6. Property, plant and equipment

IN THOUSANDS OF UKRAINIAN HRYVNIAS	LAND PLOTS	BUILDINGS AND FACILITIES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	CONSTRUCTION IN PROGRESS	ASSETS IN CONCESSION	OTHER FIXED ASSETS	TOTAL
Cost	10 210 002	83 722 662	5 839 505	17 168 423	13 764 730	4 855 038	4 264 529	139 824 889
Accumulated depreciation	-	(47 212 455)	(3 368 732)	(11 120 232)	-	(1 034 586)	(1 763 871)	(64 499 876)
Net book value as at December 31, 2016	10 210 002	36 510 207	2 470 773	6 048 191	13 764 730	3 820 452	2 500 658	75 325 013
Additions, disposals, and other transfers	409 872	2 087 262	1 827 109	1 792 540	4 834 950	-	469 358	11 421 091
De-recognition of residential property as a result of privatization	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-
Revaluation of of property, plant and equipment	986 333	2 588 065	287	3 093 320	-	5 378 029	163	12 046 197
Depreciation charge for the period	-	(2 595 821)	(393 883)	(656 584)	-	(468 710)	(330 125)	(4 445 123)

IN THOUSANDS OF UKRAINIAN HRYVNIA	LAND PLOTS	BUILDINGS AND FACILITIES	MACHINERY AND EQUIPMENT	MEANS OF TRANSPORT	CONSTRUCTION IN PROGRESS	ASSETS IN CONCESSION	OTHER FIXED ASSETS	TOTAL
As at December 31, 2017:								
Cost	11 606 207	88 397 989	7 666 901	22 054 283	18 599 680	10 233 067	4 734 050	163 292 177
Accumulated depreciation	-	(49 808 276)	(3 762 615)	(11 776 816)	-	(1 503 296)	(2 093 996)	(68 944 999)
Net book value	11 606 207	38 589 713	3 904 286	10 277 467	18 599 680	8 729 771	2 640 054	94 347 178
Additions, disposals, and other transfers	815 670	(2 364 360)	4 671 581	1 326 136	4 789 140	-	(715 986)	8 522 181
De-recognition of residential property as a result of privatization	-	-	-	-	-	-	-	-
Transfers to investment property	-	-	-	-	-	-	-	-
Revaluation of cost	-	10 233 067	-	-	-	(10 233 067)	-	-
Revaluation of accumulated depreciation	-	(1 503 296)	-	-	-	1 503 296	-	-
Revaluation of property, plant and equipment – initial cost excluding accumulated depreciation	142,761	22 456 626	1 395 489	656 866	-	-	(4)	24 651 738
Depreciation charge for the period	-	(5 485 696)	(1 106 365)	(1 001 088)	-	-	(343 381)	(7 936 530)
As at December 31, 2018:								
Cost	12 564 638	153 703 434	15 131 433	344 326 268	23 388 820	-	3 516 026	552 630 619
Accumulated depreciation	-	(91 777 380)	(6 266 442)	(333 066 887)	-	-	(1 935 343)	(433 046 052)
Net book value as at December 31, 2018	12 564 638	61 926 054	8 864 991	11 259 381	23 388 820	-	1 580 683	119 584 567

During 2018, some enterprises revalued property, plant and equipment, in particular for the purpose of indexation of the rental value, as well as buildings and structures. For this purpose, independent appraisers were involved, who determined the fair value of property, plant and equipment.

The property, plant and equipment also include non-residential premises of municipal property leased to public organizations, creative unions, budget institutions of municipal and state property with a rental rate of 1 Ukrainian hryvnia per year in accordance with the Law of Ukraine «On the Lease of State and Municipal Property» and the Regulations on the Lease of Property of the Territorial Community of Kyiv City, approved by the decisions of the Kyiv City Council on September 22, 2011 № 34/6250 and 21 April 21, 2015 № 415/1280.

Also the category «Buildings and Constructions» includes objects of municipal property which were transferred for execution of the relevant decisions of the Kyiv City Council on a gratuitous basis to the area of management to executive authorities, law enforcement agencies, judicial authorities, etc. without the change of a form of ownership. The total area of these facilities as at December 31, 2018 is 112.47 thousand square meters (December 31, 2017: 175.69 thousand square meters).

The total land area of the city of Kyiv as at December 31, 2018 is 73.2 thousand hectares (December 31, 2017: 83.6 thousand hectares). There is no single complete up-to-date register of the Land Fund and most of the land plots are not issued by state acts confirming the ownership of the City. The City has no reliable information about the number of hectares of land in communal ownership.

Most of the land of the territorial community of Kyiv city as at December 31, 2018 and December 31, 2017 was not included in the State Cadastral Register and was not recorded on the balance sheets of municipal enterprises and budgetary institutions of the City. Such land is recognized by the City in the Consolidated Financial Information at a cost equal to zero.

**Service concession assets.** As at December 31, 2017, the assets in the concession are represented by energy and heat supply facilities, which were used to provide services to consumers in the city of Kyiv. As part of the project of management and reformation of the energy complex of the City in 2001, the territorial community of the City transferred the objects of energy and heat supply to the possession and use of PJSC «KYIVENERGO». The concession agreement was signed on September 27, 2001 and was valid until December 31, 2017. In accordance with the terms of the main and additional agreements, if none of the parties to the agreement in writing does not warn of its termination, the agreement is considered to be extended for the next 5 years.

According to the decision of the Kyiv city Council as at June 20, 2017, the concession agreement with PJSC «KYIVENERGO» was decided to terminate on April 27, 2018. According to the order of the Kyiv City Council as at December 27, 2017, the municipal enterprise «Kyivteploenergo» was defined as an enterprise, which will be assigned to the right of economic management of the municipal property of the territorial community of the city of Kyiv, which will be returned from the possession and use of PJSC «KYIVENERGO».

For the use of communal property PJSC «KYIVENERGO» was obliged to make a payment to the territorial community of the City in the amount of 10% of the net profit received by the company for the previous budget year but not less than UAH 2,000 thousand per year.

The results of restoration, reconstruction and improvement of the property, plant and equipment shall be the municipal property of the territorial community of the city of Kyiv.

As at December 31, 2017 the amount of improvements to municipal property, subject to compensation, amounted to UAH 352,982 thousand (note 17).

The fair value of municipal assets, which were in the possession and use of PJSC «KYIVENERGO», as at December 31, 2017, determined by accredited independent appraiser as at November 1, 2011 mostly on a depreciated replacement cost. The fair value of communal property in the possession and use of PJSC KYIVENERGO, according to the public financial statements of PJSC KYIVENERGO, amounted to UAH 8,729,771 thousand as at December 31, 2017, mainly due to the revaluation of property, plant and equipment carried out by an independent appraiser as at 31 October 31, 2017.

As at December 31, 2018, there were no assets in the concession.

## 7. Investment property

As at December 31, 2018 and 2017, the investment property is represented by non-residential buildings and structures leased to commercial enterprises on market-based terms and conditions.

## 8. Intangible assets

IN THOUSANDS OF UKRAINIAN HRYVNIAS	PROPERTY USE RIGHTS	Software	OTHER INTANGIBLE ASSETS	TOTAL
Cost	90 866	50 435	218 907	360,208
Accumulated depreciation and impairment	(73 655)	(36 529)	(169 898)	(280 082)
Net book value as at 31 December 2016	17 211	13 906	49 009	80 126
Additions	44 618	6 625	205 400	256 643
Disposals	(2 639)	(2 270)	(134 591)	(139 500)
Depreciation charges for the period	(274)	(1 202)	(19 729)	(21 205)
Total movement for 2017	41 705	3 153	51 080	95 938
Cost	132,845	54 790	289 716	477 351
Accumulated depreciation and impairment	(73 929)	(37 731)	(189 627)	(301 287)
Net book value as at December 31, 2017	58 916	17 059	100,089	176 064
Additions	143 560	5 604	133,698	282 862
Disposals	(12 522)	(30 303)	(3 304)	(46 129)
Other depreciation movement	73 847	25 870	83 663	183,380
Depreciation for the period	(20)	(605)	(19 362)	(19 987)
As at December 31, 2018:				
Cost	263,883	30 091	420,110	714 084
Accumulated depreciation and impairment	(102)	(12 466)	(125 326)	(137 894)
Net book value as at December 31, 2018	63,781	17 625	294 784	576 190

## 9. Investments accounted for using the equity method

In June 2016, the national Bank of Ukraine decided to revoke the banking license of PJSC CB «Khreschatyk» and liquidate it. Correspondingly, the total amount of the City's investment in PJSC KB Khreschatyk as at December 31, 2018 and 2017 in the consolidated statement of financial condition was zero.

## 10. Receivables from exchange transactions

IN THOUSANDS OF UKRAINIAN HRYVNIA	DECEMBER 31, 2018	DECEMBER 31, 2017
Long-term receivables from exchange transactions	330,700	
Total long-term receivables from exchange transactions	330,700	
Current receivables		
Receivables for goods and services	4 735 947	3 678 792
Other receivables from exchange transactions	6 448 016	1 672 562
Allowance for estimated irrecoverable amounts	(146 687)	(2 203 479)
Total financial receivables	11 037 276	3 147 875
VAT settlements	277 035	198 874
Prepayments made	1 521 058	1 312 346
Allowance for estimated irrecoverable amounts	(299 712)	(314 831)
Total current receivables	12 535 657	4 344 264

### Reconciliation of allowance for impairment of receivables is provided below:

IN THOUSANDS OF UKRAINIAN HRYVNIA	2018 AMOUNT OF ALLOWANCE	2017 AMOUNT OF ALLOWANCE
As at December 31, 2017:	2 518 310	1 462 458
Change in allowance in the current period	(2 071 912)	1 055 852
As at December 31, 2017	446 398	2 518 310

### Analysis of financial receivables by credit quality is as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIA	DECEMBER 31, 2018	DECEMBER 31, 2017
Neither past due nor impaired, other than receivables from households for utilities		
Receivables for services and goods provided	3 045 291	1 275 872
Other receivables from exchange transactions	130,855	1 164 475
Total neither past due nor impaired	3 176 146	2 440 347
Past due, but not impaired, other than receivables from households for utilities		
From 1 to 30 days	236 649	363,959
From 31 to 90 days	108 433	48 577
From 91 to 180 days	42 342	20 145
Total past due, but not impaired	387 424	432 681
Past due and impaired, except for receivables from households	387 424	432 681

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
for utilities		
From 181 to 360 days	37 222	9 829
Over 360 days	80 079	1 562 816
Total past due and impaired	117 301	1 572 645
Receivables from households for utilities	5 197 240	1 022 700
Other receivables	2 521 090	
Total financial receivables	11 399 200	5 468 373
Allowance for estimated irrecoverable amounts	(146 687)	(2 203 479)
Total financial receivables excluding allowance	11 252 513	3 264 894

## 11. Inventories

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Auxiliary and other materials	8 046 826	1 020 191
Apartments and non-residential premises	2 777 829	4 885 999
Merchandise for resale	575 193	389 793
Spare parts	346 111	787 033
Finished goods and work in progress	184 384	119 597
Construction in progress under construction contracts	47 435	2 614 967
Other inventories	1 404 441	1 454 981
Total Inventories	13 382 219	11 272 561

## 12. Receivables from non-exchange transactions

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Receivables from land tax	775 443	1 198 983
Receivables from corporate income tax	494 272	1 138 200
Receivables from personal income tax	404 079	413,598
Receivables from other taxes and charges of the General and Special Fund	228 546	242 955
Receivables from excise tax	56 872	55 191
Receivables from planned allocation of expenditures to benefits and subsidies to households	-	1 361 191
Total receivables from non-exchange transactions	1 959 212	4 410 118
Total receivables from non-exchange transactions	1 959 212	4 410 118

## 13. Cash and cash equivalents

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Treasury accounts	2 472 335	3 400 952
Bank accounts	1 775 798	1 438 297
Short-term deposits	172 657	272 365
Other cash and cash equivalents	57 722	1 751
Cash on hand and in transit	9 240	360,675
Total cash and cash equivalents	4 487 752	5 474 040

Analysis of cash and cash equivalents by credit quality is presented below based on the ratings of the international rating agency Moody's, or ratings assigned by other international rating agencies converted to the closest equivalent on the Moody's rating scale.

Analysis of cash and cash equivalents as at December 31, 2018 was as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	BANK ACCOUNTS	TREASURY ACCOUNTS	SHORT-TERM DEPOSITS	OTHER CASH	TOTAL
Moody's rating					
B3.	456	-	-	-	456
Caa1	395 385	2 472 335	114 601	-	2 982 321
Caa2	6	-	-	-	6
Unrated	1 389 192	-	58 055	57 722	1 504 969
Total cash and cash equivalents	1 785 039	2 472 335	172 656	57 722	4 487 752

Analysis of cash and cash equivalents as at December 31, 2017 was as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	BANK ACCOUNTS	TREASURY ACCOUNTS	SHORT-TERM DEPOSITS	OTHER CASH	TOTAL
Moody's rating					
Caa2	198	-	-	-	198
Caa3	268 608	3 400 952	6 110	-	3 675 670
Unrated	1 169 491	-	354 565	274 116	1 798 172
Total cash and cash equivalents	1 438 297	3 400 952	360,675	274 116	5 474 040

## 14. Other non-current assets

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Prepayments for property, plant and equipment	2 597 716	32 588
Municipal property held for sale	139 045	303,404
Other non-current assets held for sale	501	228
Cash on accounts with non-performing banks	-	4 392
Other	3 717	5 020
Total other non-current assets	2 740 979	345 632

## 15. Borrowings

Long-term borrowings of the City are presented as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Borrowings from the Ministry of Finance of Ukraine	4 859 290	9 853 447
Borrowings from international organizations	775 498	1 420 093
Eurobonds	3 186 144	-
Bank borrowings	415 470	92 917
Other long-term borrowings	-	31 000
Total long-term borrowings	9 236 402	11 397 457

Short-term borrowings of the City are presented as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	December 31, 2018	December 31, 2017
Borrowings from the Ministry of Finance of Ukraine	4 859 290	-
Treasury borrowings	3 688 454	3 688 454
Eurobonds	-	2 838 972
Borrowings from international organizations	460,083	458 511
Finance leases	-	373,220
Bank borrowings	45 000	187 613
Interest accrued on the borrowing from the Ministry of Finance of Ukraine	-	117,998
Other short-term borrowings	-	3
Total short-term borrowings	9 052 827	7 664 771

## Analysis of borrowings by currency is presented below:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
UAH	12 904 726	12 897 597
USD	4 148 922	4 373 707
EUR	1 235 581	1 790 924
Total borrowings	18 289 229	19 062 228

## Analysis of borrowings by maturity is presented below:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Borrowings with expired maturity	-	3 210 535
With undetermined maturity	3 688 454	13 541 901
Less than 6 months	-	340,443
From 6 to 12 months	5 274 759	310,312
From 1 to 5 years	9 326 016	1 470 318
More than 5 years	-	188 716
Other	-	3
Total borrowings	18 289 229	19 062 228

## Interest rates on borrowings are given below:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Borrowings from the Ministry of Finance of Ukraine	7,75%*	7,75%*
Eurobonds	7,5%	8%
Bank borrowings	19%-21,5%	19%-21,5%
Borrowings from international organizations	Euribor + 5,75% , 6,9%	0,01%-6,9%

\* When settling the borrowing from the Ministry of Finance of Ukraine, the City shall compensate in full the expenses of the Ministry of Finance of Ukraine for foreign government loan bonds of Ukraine during the period from 2015 to 2020 and government derivatives during the period from 2020 to 2040. The specified interest rate corresponds to the nominal coupon rate of Foreign Government Loan Bonds of Ukraine. The City cannot reliably determine the effective interest rate on the borrowing, since the expenses for servicing government derivatives during the period from 2020 to 2040 cannot be reliably estimated.

## Movements in borrowings are presented below:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
	19 062 228	18 844 994
Borrowings at the beginning of the year	19 062 228	18 844 994
Borrowings received	-	1 416 365
Borrowings repaid	(466 572)	(1 891 664)
Restructuring	385 444	-
Interest accrued	1 256 060	836 030
Interest paid	(1 261 488)	(830 971)
Foreign currency exchange differences	(686 443)	687 474
Borrowings as at the end of the year	18 289 229	19 062 228

**Eurobonds and the borrowing from the Ministry of Finance of Ukraine.** In 2015, Eurobonds of 2005 and 2011 were restructured, with the total amount of local debt on them amounting to USD 550,000 thousand (UAH 12,918,221 thousand at the date of restructuring).

Within the restructuring process, a part of the debt in the amount of USD 448,851 thousand (UAH 10,542 466 thousand at the date of restructuring) 25% of the debt was written off, amounting to USD 97,785 and the remaining amount of USD 351,066 thousand was transferred to state debt of Ukraine through additional issue and placement of Foreign Government Loan Bonds of Ukraine (at the coupon rate of 7.75%) and government derivatives were issued for the amount of write-offs of USD 97,785 thousand (UAH 2,299,728 thousand at the date of restructuring).

According to the Resolution of the Cabinet of Ministers of Ukraine № 1040 dated December, 18 2015 and the agreement concluded between the Ministry of Finance of Ukraine and the Kyiv City Council, the City shall compensate in full the expenses of the Ministry of Finance on bonds of external government loans of Ukraine during 2015-2020 and state derivatives during 2020-2040. The specified interest rate corresponds to the nominal coupon rate on bonds of external state loans of Ukraine. The City cannot reliably determine the effective interest rate on the loan, since payments for servicing state derivatives during 2020-2040 cannot be provided in advance.

As at December 31, 2017, the City's short-term borrowings included liabilities to Eurobond holders who refused to participate in the restructuring process in the amount of USD 101,149 thousand (UAH 2,838,972 thousand). As at December 31, 2017 and 2018, the City had issued a moratorium on servicing these bonds.

As at December 31, 2018, the amount of liabilities to bondholders as a result of the restructuring amounted to USD 115,072 thousand (UAH 3,186,144 thousand).

**Treasury borrowings.** Under the Budget Code of Ukraine, Article 73, Paragraph 3 (effective until 1 January 2015), according to the relevant local council's decision, local state administrations and executive bodies of relevant local councils could receive medium-term repayable non-interest bearing borrowings from the unified Treasury account in the amount of estimated income budget as defined in the State Budget Law of Ukraine for the respective reporting period. The procedure and conditions of obtaining and repayment of these borrowings were determined by the Cabinet of Ministers of Ukraine. From 2009 to 2013 the City received medium-term borrowing in the amount of UAH 3,761,755 thousand. In 2014, the City repaid UAH 73,301 thousand of borrowings. On December 28, 2014, amendments were made to the Budget code, according to which the repayment of debt on medium-term loans to the state budget, which is registered in the State Treasury service, was postponed until further legislative guidance. Accordingly, in 2018 and 2017, the City did not make payments on these borrowings.

**Borrowings from international organizations.** In 2008, the City signed an agreement with the European Bank of Reconstruction and Development on granting a credit line in the amount of EUR 115,000 thousand for the development of Kyiv City's municipal transport. The amount of debt as at December 31, 2018 and 2017 was EUR 36,760 thousand and EUR 50,436 thousand, respectively. According to the terms of the contract, the borrowing payment should be made in 2021. The interest rate in effect during 2018 and 2017 was Euribor+5.75%.

In 2013, the City signed an agreement with the Nordic Environment Financial Corporation to on granting loans in the amount of EUR 5,000 thousand and UAH 4,000 thousand for the implementation of measures on improved energy efficiency.

The outstanding EUR-denominated borrowing as at December 31, 2018 and 2017 amounted to EUR 3,031 thousand and EUR 2,403 thousand, respectively. In accordance with the terms and conditions of the agreement, the borrowing shall be repayable in 2021, with the interest rate amounting to 6.9%.

The outstanding UAH-denominated borrowing as at 31 December 2017 amounted to UAH 500 thousand. The interest rate is 3%. In 2018, this borrowing was repaid.

## 16. Non-current provisions

Movements in provisions for liabilities and charges are as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	PROVISIONS FOR LIABILITIES UNDER CONSTRUCTION CONTRACTS	OTHER	TOTAL
Balance at January 1, 2017	55 950	3 782	59 732
Charges in the current year	-	19 508	19 508
Utilization of the provision	(55 950)	-	(55 950)
Balance at December 31, 2017	-	23 290	23 290
Charges in the current year	-	771 161	771 161
Utilization of the provision	-	(8 736)	(8 736)
Balance at December 31, 2018	-	785 715	785 715

Provisions for liabilities under construction contracts are created based on the estimates of cash or assets to be transferred to lenders under the terms of construction contracts.

Other provisions are formed taking into account the probable amount required to cover the provision and included in current expense immediately. Provisions are utilized only for the purposes for which they were originally created and are re-measured at each reporting date.

## 17. Other non-current liabilities

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Non-current liabilities under construction contracts	15 543 666	1 047 110
Non-current liabilities in respect of State Budget financing	6 902 069	1 901 374
Liabilities to reimburse improvements of property, plant and equipment (service concession arrangements)	-	352 982
Other non-current liabilities	116 288	3 163 387
Total other non-current liabilities	22 562 023	6 464 853

## 18. Deferred income

As at December 31, 2018 and 2017, deferred income in the amount of UAH 6,923,657 thousand and UAH 3,483,809 thousand, respectively, was represented by the special purpose funding from the State Budget, other special purpose financing, and assets received free of charge from third parties.

## 19. Payables under exchange transactions

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Payables for goods, works and services	4 026 113	3 605 466
Advances received	4 629 460	4 563 294
Payables to third parties	271 256	1 938
Payables to employees	561 305	149 987
Other payables	458 498	891 406
Total payables from exchange transactions	9 946 632	9 212 091

## 20. Taxes and transfers payables

IN THOUSANDS OF UKRAINIAN HRYVNIAS	DECEMBER 31, 2018	DECEMBER 31, 2017
Payables on other taxes and transfers	82 118	32 687
Payables on transfers to the Pension Fund of Ukraine	53 095	42 775
	30 991	239 375
VAT payable	30 991	239 375
Other payables for taxes and transfers	262 510	209 890
Total taxes and transfers payables	428 714	524 727

## 21. Current provisions

During 2018 and 2017, the following changes in provisions for liabilities were as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	PROVISIONS FOR	ENFORCEMENT OF COURT DECISIONS	STOCK FOR UN-USED VACATIONS	OTHER	TOTAL
Balance at 31 December 2016	106 235	471 683	121 053	149 782	848 753
Charges in the current year	(45 290)	69 719	381 256	5 070	410,755
Utilization of provision	-	(23 268)	(251 061)	(63 989)	(338 318)
Balance at December 31, 2017	60 945	518 134	251 248	90 863	921 190
Charges in the current year	11 871	600,511	111 676	5 292	729 350
Utilization of provision	-	-	(115 705)	(3 898)	(119 603)
Balance at December 31, 2018	72 816	1 118 645	247 219	92 257	1 530 937

Provisions for liabilities under construction contracts were created using the estimated funds or assets to be transferred to lenders under the terms and conditions of construction contracts.

Enforcement of court decisions, accrued in 2018, include UAH 526,240 thousand in court case No. 910/9076/18 on the claim of LLC «Austro-Hungarian leasing company» to the Municipal Enterprise (ME) «Kyiv Metro» on the recovery of UAH 526,240 thousand of material expenses for the untimely execution of the adjudgment in the case № 910/8397/16. 12 November 2018 the Economic court of Kyiv upheld the claim of LLC «Austro-Hungarian Leasing Company» to the ME «Kyiv Metro». At the time of the preparation of this Special Purpose Consolidated Financial Information, the decision of the economic court in case No. 910/9076/18 had not entered into force: the case is pending in the Northern Economic Court of Appeal. The remaining provisions pursuant to court decisions as at December 31, 2018 include primarily recognized penalty sanctions under legal cases regarding untimely payment of energy invoices.

Other provisions are based on the estimated amount required to cover the provisions and included in current expenses.

## 22. Other current liabilities

A major part of current liabilities of the City as at December 31, 2018 consisted of additional charge (including Executive collection) in the amount of UAH 1,157,506 thousand (December 31, 2017: UAH 1,445,935 thousand) for improper fulfillment of the finance lease of ME «Kyivskyi Metropolitan» due to coming into effect and enforcement of the court's ruling under the claim of LLC «Ukrrosleasing», as well as construction in progress, financial aid, etc.

## 23. Subventions and dotations

IN THOUSANDS OF UKRAINIAN HRYVNIA	2018	2017
Subvention for medical care from the State Budget	4 334 526	4 121 562
Subvention from the State Budget to provide benefits and housing subsidies to households	3 469 906	3 173 961
Subvention for education from the State Budget	2 838 034	3 184 705
Subvention from the State Budget to pay state social security	2 304 386	2 276 454
Subvention from the State Budget to local budgets to undertake measures on social and economic development of certain territories	126 828	88 968
Subvention from the State Budget to local budgets to pay monetary compensation for entitled housing for families of the perished persons as determined by paragraphs 5 – 8 of point 1 of article 10, as well as persons with Group I- II disabilities as determined by paragraphs 11 – 14 of part two of the Article 7 of the Law of Ukraine "On the Status of Veterans of War, Guarantees of Their Social Protection", and persons who lost functional capabilities of lower limbs as a result of wounding, blast injury, trauma, or disease incurred in the course of direct participation in the anti-terrorist operation who require to improve housing conditions	106 745	89 304
Subsidy from the State Budget to local budgets to compensate for losses of local budgets as a result of tax benefits provided by the state on payment of land taxes to space activity entities	100 212	5 811
Subvention from the State Budget to local budgets to reimburse for medicines required for treatment of certain diseases	84 682	52 075

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Subvention from the State Budget to local budgets to provide high-quality, modern and affordable, general secondary education "New Ukrainian School"	55 169	-
	55 169	-
Subvention from the State Budget to local budgets for payment of monetary compensation for the premises belonging to the families of victims	31 603	-
Subvention from the State Budget to local budgets to support persons with special educational needs	16 794	6 632
Subvention from the State Budget to local budgets to pay state social aid to orphaned children and children deprived of parental care and cash cover to foster and adopting parents for rendering social services	12 693	11 265
Subvention from the State Budget to local budgets for the purchase of medicines and medical devices for emergency medical care	10 345	10 282
Subvention from the State Budget to local budgets to perform construction/capital repairs/redevelopment of small group houses, homes of supported living, construction/purchase of housing for family-like orphanages, social housing for orphaned children and children deprived of parental care, persons belonging to them, preparation of design estimates	8 915	6 375
Subvention from the State Budget to local budgets to pay monetary compensation for housing of internally displaced persons	6 977	-
Subvention from the State Budget to local budgets to upgrade and improve material and technical facilities of state-owned vocational schools	4 757	597
Subvention from the state budget for Health Care facilities	1 203	1 355
Subvention from the State Budget to municipal budgets of Dnipro, Zhytomyr, Kamiansk, Kyiv, Kropyvnytskyi, Lviv, Novohrad-Volynskyi, Odesa, Kharkiv, and Cherkasy to perform works related to creation and operation of Administrative Services Centers in the form of "Transparent Office"	-	17 967
Total subventions and donations	13 513 775	13 047 313

## 24. Local taxes and charges to the General Fund

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Single tax	5 486 431	4 068 219
Rental fees for the use of natural resources	2 862 860	2 975 466
Land tax	1 851 711	2 544 853
Property tax, other than on land	751,750	369,262
Transport tax	94 961	68 716
Vehicle parking charges	32 041	41 757
Other local taxes and charges to the General Fund	32 984	-
Total local taxes and charges to the General Fund	(829)	61 995
Property tax, other than on land	11 111 908	10 130 268

## 25. Administrative fees and charges, revenue from non-commercial business activities

IN THOUSANDS OF UKRAINIAN HRYVNIA	2018	2017
License and certificate fees	178,907	176,019
Rental proceeds	87 572	85 999
State custom duties	34 927	34 109
State registration fees	31 811	28 073
Other administrative service fees	326,523	280,602
Total administrative fees and charges, revenue from non-commercial business activities	659,740	604,802

## 26. Duties and fees for the special use of natural resources

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Rent fees for the special use of water	44 857	28 865
Rent fees for the use of mineral resources	6 253	6 525
Rent fees for the special use of forest resources	1 626	1 387
Fees for the use of other natural resources	182	225
Total duties and fees for the special use of natural resources	52 918	37 002

## 27. Other non-tax proceeds and other budget revenue

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Administrative penalties and other sanctions	228	10 831
Proceeds on disposal of abandoned properties, findings, inherited property, property received by the community as inheritance or gift, and currency valuables or cash of unknown owners	-	1 716
Other proceeds	55 602	302 868
Total non-tax proceeds and other budget revenue	55 830	315 415

## 28. Income from exchange transactions of budget institutions

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Receipts of budget entities from enterprises, organizations, individuals and other budgetary institutions for special purpose activities	1 584 049	1 189 689
Charitable contributions, grants and gifts	1 015 113	724 346
Fees for services provided by budget entities in the normal course of their primary activities	799 763	614 097
Rental fees for properties of budget entities	149 203	122 757
Total income from exchange transactions of budget institutions	3 548 128	2 650 889
Total income from exchange transactions of budget institutions	3 548 128	2 650 889

## 29. Taxes and other charges of the special fund

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Proceeds from customs duties transferred to local budgets	248 567	1 039 169
Environmental tax	42 157	61 877
Other taxes and charges	(226)	338
Total taxes and other charges to the Special Fund	290 498	1 101 384

## 30. Other non-tax proceeds

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Proceeds from interest participation in infrastructure development	480 143	793 397
Proceeds from compensated losses of agricultural and forestry production	6 302	757
Other proceeds	31	3 530
Total other non-tax proceeds	486 476	797 684

## 31. Subventions (the Special Fund)

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Subvention from the State Budget to local budgets to repay difference between actual value of heat energy, centralized heat supply services, hot water supply, centralized water supply and disposal, cold water supply and disposal (with the use of internal building systems) that were manufactured, transported, and supplied to households and/or other heat supply, centralized drinking water supply and disposal entities engaged in rendering such services to households and tariffs approved and/or agreed by central or local government authorities	729 558	651 676
Subvention from the state budget to local budgets for financial support of construction, reconstruction, repair and maintenance of public roads of local importance, streets and roads of municipal property in settlements	1 153 086	-
Subvention from the state budget to local budgets for the implementation of measures for the socio-economic development of certain territories	-	62 068
Total subventions (the Special Fund)	1 882 644	713 744

## 32. Income from exchange transactions of municipal and corporate entities

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Housing and utilities	10 756 887	7 166 633
Transport, road facilities, communication, telecommunications and informational technologies	4 657 173	2 880 683
Construction	3 451 494	4 653 587
Health Care	2 300 046	1 908 295
Other services related to economic activities	866 252	593 663
Culture and arts	201 306	162 005
Education	9 957	68 833
Other income from exchange transactions	852 068	22 077
Total income from exchange transactions of municipal and corporate entities	23 095 183	17 455 776

## 33. Other income of budget, municipal, and corporate entities

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Assets received free of charge	4 427 901	3 395 982
Rental income	301 145	208 765
Income on recognition of assets as a result of physical inventory	-	6 240
Penalties, fines, forfeits	12 155	6 233
Gains on liquidation	9 009	11 330
Other income	1 465 920	2 164 050
<b>Total other income of budget, municipal, and corporate entities</b>	<b>6 216 130</b>	<b>5 792 600</b>

### Expenses

Operating expenses of the City by business segments and nature are disclosed in the Notes 34-42.

## 34. Housing and utilities

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Water, heating, energy and other utilities	5 968 303	382 193
Payroll and salary related charges	2 490 698	2 398 227
Depreciation	1 807 295	1 417 808
Social security benefits	1 572 795	3 655
Consumables and other materials	1 368 495	498 102
Used services	637 238	206 587
Repair and maintenance expenses	455 788	646 163
Taxes and charges to the State Budget	70 441	32 616
Rental expenses	1 987	513
Transportation	1 357	4 376
Other expenses	2 198 022	6 039 683
<b>Total housing and utilities</b>	<b>16 572 419</b>	<b>11 629 923</b>

## 35. Education

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	9 092 919	7 641 918
Consumables and other materials	1 745 494	290 095
Social security benefits	804 088	79 303
Repair and maintenance expenses	776 940	544 321
Water, heating, energy and other utilities	457,791	832,122
Used services	190,893	397,832
Rental expenses	1 292	962
Transportation	523	1 102
Other expenses	3 205 669	2 153 818
Total education	16 275 608	11 941 473

## 36. Health Care

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	8 604 743	5 245 482
Consumables and other materials	1 212 949	200,134
Social security benefits	519,190	124,309
Depreciation	296,583	343,586
Repair and maintenance expenses	65 635	24 868
Taxes and charges to the State Budget	28 426	751
Used services	16 604	557
Water, heating, energy and other utilities	20 190	34 879
Other expenses	2 512 881	5 270 091
Total Health Care	13 277 201	11 244 657

## 37. Construction

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	516,366	576,980
Repair and maintenance expenses	84 047	167,318
Consumables and other materials	52 638	162,218
Depreciation	3 136	145,918
Taxes and charges to the State Budget	2 714	9 138
Water, heating, energy and other utilities	786	6 510
Transportation	748	3 265
Used services	256	42 543
Other expenses	2 882 071	4 901 931
Total construction	3 542 762	6 015 821

## 38. Transport, road facilities, communication, telecommunications and informational technologies

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	1 925 933	1 302 006
Consumables and other materials	1 124 902	532,248
Depreciation	908,602	568,845
Used services	88 446	73 521
Repair and maintenance expenses	6 196	125,193
Water, heating, energy and other utilities	27 650	29 121
Transportation	-	14 020
Taxes and charges to the State Budget	-	34 764
Rental expenses	-	4 751
Other expenses	9 034 259	7 429 281
Total Transport, road facilities, communication, telecommunications and informational technologies	13 115 988	10 113 750

## 39. Social care and social security

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Benefits, subsidies and other social payments	6 964 805	5 559 897
Payroll and salary related charges	568,164	505,569
Consumables and other materials	458,545	55 916
Repair and maintenance expenses	45 847	48 936
Water, heating, energy and other utilities	44 661	49 766
Used services	27 837	38 422
Other expenses	949,432	1 172 906
Total social care and social security	9 059 291	7 431 412

## 40. Culture and arts

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	695 599	1 148 014
Repair and maintenance expenses	190,383	46 562
Consumables and other materials	87 874	15 481
Depreciation	58 247	84 803
Used services	40 494	38 425

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Water, heating, energy and other utilities	21 294	29 934
Other expenses	618,582	660,466
Total culture and arts	1 712 473	2 023 685

## 41. Other services related to economic activities

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Used services	824,367	25 029
Payroll and salary related charges	357,183	258,427
Consumables and other materials	66 735	5 606
Research and development, individual activities for the implementation of state (regional) programs	40 508	18 143
Depreciation	15 798	32 736
Water, heating, energy and other utilities	9 838	16 713
Repair and maintenance expenses	6 905	3 727
Rental expenses	237	8 738
Other expenses	2 135 234	1 825 054
Total other services related to economic activities	3 456 805	2 201 059

## 42. State administration

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Payroll and salary related charges	1 532 766	1 082 723
Consumables and other materials	323,255	6 961
Used services	140,929	78 398
Water, heating, energy and other utilities	47 965	29 790
Repair and maintenance expenses	27 293	40 774
Other expenses	196,914	354,092
Total state administration	2 269 122	1 592 738

## 43. Transfers to the State Budget and other budgets

According to the Budget Code of Ukraine, the City shall transfer funds to the State Budget of Ukraine if the estimated amount of local budget revenues exceeds the estimated amount of expenses. The amount to be transferred is determined using the financial standards of budgetary provision and adjusting coefficients.

In 2018, the prevailing majority of these funds were presented to the subvention from the local budget to the state budget for the implementation of programs of socio-economic and cultural development of regions and amounted to UAH 149,964 thousand (2017: UAH 255,633 thousand).

## 44. Financial expenses

IN THOUSANDS OF UKRAINIAN HRYVNIAS	2018	2017
Interest expenses	1 256 060	836 030
Foreign exchange difference	522 994	687 474
Total financial expenses	1 779 054	1 523 504

## 45. Contingents and other liabilities

The city believes that adequate reserves have been created for all material liabilities in this consolidated financial information.

Liabilities under operating leases. Future minimum lease payments under operating leases were as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	December 31, 2018	December 31, 2017
Up to 1 year	56 328	14 446
From 1 to 5 years	57 496	21 993
More than 5 years	2 955	2 020 387
Total future minimum lease payments	116,779	2 056 826

As at December 31, 2018 ME «Kyivavtodor» (Kyiv Road Service) has liabilities under the signed contracts for the sum of UAH 2,202,421 thousand.

## 46. Financial risk management

During normal operating course of the City, exposure to currency, commodity, interest rate, liquidity, and credit risk arises. This Note provides the information about the City's exposure to each of the above-mentioned risks, policies and processes for measuring and managing risks, as well as information about fair value of all financial and non-financial assets and liabilities measured at fair value. Further quantitative disclosures are included throughout this Special Purpose Consolidated Financial Information .

**Fair value.** Fair value estimates are analyzed at the levels of the fair value hierarchy as follows: (i) the first level are estimates at quoted prices (without adjustments) in active markets for identical assets and liabilities; (ii) the second level are estimates with all material parameters available for monitoring assets and liabilities either directly (based on prices) or indirectly (i.e., derived from prices); and (iii) the third level are estimates that are not based solely on market data (i.e., the estimate requires significant application of parameters for which there are no market observations). When classifying financial instruments using the fair value hierarchy, professional judgment is used.

Fair value of cash and cash equivalents corresponds to the carrying value due to the short-term nature of such instrument.

Fair value by hierarchy level and the corresponding carrying value of assets and liabilities are shown below:

## As at December 31, 2018:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Financial assets				
Investments	-	-	19 889	19 889
Receivables	-	-	14 825 570	14 825 570
Non-financial assets				
Property, plant and equipment	-	-	119 584 567	119 584 567
<b>TOTAL ASSETS</b>	-	-	<b>134 430 026</b>	<b>134 430 026</b>
Financial liabilities				
Payables	-	-	12 917 443	12 917 443
Borrowings	-	-	18 289 229	18 289 229
Other borrowings				
<b>TOTAL LIABILITIES</b>	-	-	<b>31 206 672</b>	<b>31 206 672</b>

As at December 31, 2018, the fair value of the issued Eurobonds, which were not serviced as at December 31, 2018 and for which there were no transactions in the active market, has not been determined and, accordingly, not disclosed.

Other borrowings include a long-term borrowing from the Ministry of Finance of Ukraine, borrowings from the State Treasury of Ukraine and other current liabilities. These financial liabilities are not quoted in an active market, so the City believes that their fair value is approximately equal to the carrying amount.

## As at December 31, 2018:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Financial assets				
Investments	-	-	58 196	58 196
Receivables	-	-	3 264 894	3 264 894
Non-financial assets				
Property, plant and equipment	-	-	94 347 179	94 347 179
<b>TOTAL ASSETS</b>			<b>97 670 269</b>	<b>97 670 269</b>
Financial liabilities				
Payables	-	-	4 496 872	4 496 872
Borrowings	-	-	-	-
Other borrowings	-	-	16 223 256	16 223 256
<b>TOTAL LIABILITIES</b>			<b>20 720 128</b>	<b>20 720 128</b>

## Valuation techniques used in the fair value measurement for Level 2 and Level 3 measurements were as follows:

Financial assets	Valuation technique
Investments	Net assets
Receivables	Discount cash flows
Non-financial assets	
Property, plant and equipment	Market approach/Depreciated replacement cost method
Financial liabilities	
Payables	Discount cash flows
Borrowings	
Other borrowings	Discount cash flows

### Credit risk

Credit risk is the risk of financial loss of the City in case of non-performance by customers or parties of financial instruments of their obligations under the contract. This risk is mainly related to investments, receivables and cash, cash equivalents of the City. The maximum amount of credit risk is represented by the carrying amount of financial assets. The maximum exposure to credit risk is as follows:

IN THOUSANDS OF UKRAINIAN HRYVNIAS	December 31, 2018	December 31, 2017
Investments	19 889	58 196
Receivables	14 825 570	3 264 894
Cash and cash equivalents	4 487 752	5 474 040
Maximum exposure to credit risk	19 333 211	8 797 130

### Liquidity risk

Liquidity risk is the risk that the City will encounter difficulty in meeting the obligations as they fall due. Approach to the management of liquidity risk involves ensuring the availability of sufficient liquidity to meet liabilities when their maturity is due by avoiding unacceptable losses or the risk of damaging the reputation of the City.

The following tables show the liabilities of the city as at December 31, 2018 and 2017 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amounts recognized in the consolidated statement of financial position because the amounts in the consolidated statement of financial position are based on discounted cash flows.

When the amount to be paid is not fixed, the amount disclosed is determined by the conditions existing at the end of the reporting period. Foreign currency payments are recalculated using the spot exchange rate at the end of the reporting period.

The table below provides an analysis of financial liabilities as at  
December 31, 2018:

In thousands of Ukrainian hryvnias	On demand and less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Other	Total
Liabilities						
Borrowings	3 688 454	5 274 759	9 326 016	-	-	18 289 229
Payables	5 334 080	757 022	3 113 516	4 484	3 708 341	12 917 443
Total liabilities	9 022 534	6 031 781	12 439 532	4 484	3 708 341	31 206 672

The table below shows the analysis of financial liabilities  
as at December 31, 2017:

In thousands of Ukrainian hryvnias	On demand and less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Other	Total
Liabilities						
Borrowings	849 790	391 237	1 833 824	87 253	16 752 439	19 914 542
Payables	4 444 195	9 922	42 755	-	-	4 496 872
Total liabilities	5 293 985	401 159	1 876 579	87 253	16 752 439	24 411 414

**Market risk.** The city is exposed to market risks arising from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instrument investments, all of which are exposed to general and specific market movements.

Sensitivities to market risks included below are based on changes in a factor while holding all other factors remains constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated, such as changes in interest rate and changes in foreign exchange rates.

**Foreign currency risk.** The city is exposed to the foreign currency risk as a result of attracting financing from third parties. Issued Eurobonds represent financial liabilities denominated in foreign currencies and a line of credit received from the European Bank for Reconstruction and Development and the Nordic Environment Finance Corporation (Note 15).

The table below shows the change in surplus or deficit and capital resulting from reasonably possible changes in foreign exchange rates at the end of the reporting period in relation to the functional currency of the City, while all other variables are unchanged:

IN THOUSANDS OF UKRAINIAN HRYVNIA	Impact on surplus or deficit	
	as at December 31, 2018	as at December 31, 2017
USD strengthening by 30%	(1 290 473)	(1 289 760)
USD weakening by 10%	1 290 473	1 289 760
EUR strengthening 30%	(123 558)	(179 092)
EUR weakening by 10%	123,558	179,092

**Interest rate risk.** The city is exposed to risk due to the impact of fluctuations in the dominant levels of market interest rates on its financial position and cash flows. The table below shows the risk concentration of the city's interest rates. The table includes the assets and liabilities of the City by balance sheet amounts grouped into categories according to the timing of the revision of the interest rate in accordance with the contract or maturity, whichever is earlier.

In thousands of Ukrainian hryvnias	On demand and less than 6 m months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Other	Non-monetary items	Total
December 31, 2018							
Total financial assets	8 051 321	117 301	-	-	11 144 699	19 889	19 333 210
Total financial liabilities	(9 022 534)	(6 031 783)	(12 439 532)	(4 484)	(3 708 341)	-	(31 206 674)
Net interest sensitivity gap as at December 31, 2018	(971 213)	(5 914 482)	(12 439 532)	(4 484)	7 436 358	19 889	(11 873 464)
December 31, 2017							
Total financial assets	8 621 915	-	117 019	-	-	58 196	8 797 130
Total financial liabilities	(4 784 638)	(320 234)	(1 513 073)	(188 716)	(16 752 439)	-	(23 559 100)
Net interest sensitivity gap as at December, 31 2017	3 837 277	(320 234)	(1 396 054)	(188 716)	(16 752 439)	58 196	(14 761 970)

## 47. Presentation of financial instruments by measurement categories

The following table represents information on financial instruments by their measurement categories as at December 31, 2018:

In thousands of Ukrainian hryvnias	Loans and receivables	Assets available for sale	Total
Financial assets			
Investments	-	19 889	19 889
Receivables from exchange transactions	14 825 570	-	14 825 570
Cash and cash equivalents	4 487 752	-	4 487 752

In thousands of Ukrainian hryvnias	Loans and receivables	Assets available for sale	Total
Total financial assets	19 313 322	19 889	19 333 2103
Financial liabilities			
Borrowings	18 289 229	-	18 289 229
Payables	12 917 443	-	12 917 443
Total financial liabilities	31 206 672	-	31 206 672

The following are financial instruments by their measurement categories as at December 31, 2017:

In thousands of Ukrainian hryvnias	Borrowings and receivables	Assets available for sale	Total
Financial assets			
Investments	-	58 196	58 196
Receivables from exchange transactions	3 264 894	-	3 264 894
Cash and cash equivalents	5 474 040	-	5 474 040
Total financial assets	8 738 934	58 196	8 797 130
Financial liabilities			
Borrowings	19 062 228	-	19 062 228
Payables	4 496 872	-	4 496 872
Total financial liabilities	23 559 100	-	23 559 100

## 48. Segment information

Operating segments are components of an organization that take part in commercial activities, from which an organization can receive income or incur expenses, whose operating results are regularly reviewed by the person responsible for making operating decisions, and for which separate financial information is available. The main person responsible for operating decision-making is the person or group of persons who allocate resources and evaluate the activities of the city.

For management purposes, the City is organized into segments based on the services they provide:

- State administration;
- Construction;
- Housing and utilities;
- Health Care;
- Education;
- Transport, road facilities, communication, telecommunications and informational technologies;
- Segment «Other», which includes less significant services and other units of the City.

No individually significant segments were aggregated to arrive at the operating segments disclosed above. The City does not conduct monitoring of the geographical segments.

The City reviews results of its departments on an individual basis in order to allocate resources and assess their effectiveness. Performance of segments is assessed based on non-financial qualitative indicators and operating surplus or deficit of the segment, which is estimated according to the accounting policies applied in the Special Purpose Consolidated Financial Information. At the same time, financing (including financial income and financial expenses) and tax revenues of the City are managed on a group basis and does not apply to individual operating segments.

The management of segments is performed by the management of the Kyiv City State Administration.

## Segment information for 2018 is provided below:

In thousands of Ukrainian hryvnias	Kyiv City's budget	State administration	Construction	Housing and utilities	Health Care	Education	Transport, road facilities, communication, telecommunications and informational technologies	Other segments	Total by segments
Segment revenues									
Budget allocations	-	2 675 202	-	-	5 136 659	3 909 855	18 632	19 159 389	30 899 737
External revenues	57 130 913	2 249 044	3 553 428	9 779 078	3 327 057	613 203	8 714 734	2 894 456	88 261 913
Intersegment revenues	-	33 767	900	174 873	379 459	60 741	49 738	9 319	708 797
Segment expenses									
General segment expenses	(27 301 756)	(10 169 042)	(3 458 517)	(14 207 676)	(8 709 931)	(12 166 370)	(8 460 769)	(9 138 996)	(93 613 057)
Intersegment expenses	(30 899 737)	(25 014)	(379)	(186 253)	(333 310)	(60 269)	(37 742)	(1 621)	(31 544 325)
Surplus/ (deficit) from operations	(1 070 580)	(5 236 043)	95 432	(4 439 978)	(200 066)	(7 642 840)	284 593	12 922 547	(5 286 935)
Financial expenses	-	(372 104)	(4 341)	(41)	-	-	(144 272)	(2 236)	(522 994)
The share of deficit of associates									
Surplus/ (deficit) for the reporting period	(1 070 580)	(5 608 147)	91 091	(4 440 019)	(200 066)	(7 642 840)	140 321	12 920 311	(5 809 929)
Other information									
Segment assets		3 119 856	25 865 438	63 409 762	13 526 172	6 939 156	57 155 022	9 093 104	179 108 511
Segment liabilities		698 318	22 198 801	19 490 300	1 168 456	317 956	19 653 392	1 764 550	65 291 773

## Segment information for 2017 is provided below:

In thousands of Ukrainian hryvnias	Kyiv City's budget	State administration	Construction	Housing and utilities	Health Care	Education	Transport, road facilities, communication, telecommunications and informational technologies	Other segments	Total by segments
Segment revenues									
Budget allocations	-	1 373 637	950 767	2 176 230	8 350 697	9 292 492	2 173 917	9 056 989	33 374 729
External revenues	48 765 106	18 986	5 132 868	9 756 507	2 113 653	84 915	4 253 377	576 818	70 702 230
Intersegment revenues	-	1	104 696	249 127	8 640	31 126	503 620	4 512	901 722
Segment expenses									
General segment expenses	(11 122 057)	(1 370 008)	(5 992 856)	(11 607 026)	(10 060 342)	(9 361 416)	(6 814 463)	(9 607 853)	(65 936 021)
Intersegment expenses	(38 383 702)	(22 440)	(28 276)	(320 482)	(411 276)	(43 525)	(51 757)	(23 966)	(39 285 424)
Surplus/ (deficit) from operations	(740 653)	176	167 199	254 356	1 372	3 592	64 694	6 500	(242 764)
Financial expenses	(15 060)	-	(3)	(2 074)			(1 300 546)	-	(1 317 683)
The share of deficit of associates	-	(356)	-	-			-	-	(356)
Surplus/ (deficit) for the reporting period	(755 713)	(180)	167 196	252 282	1 372	3 592	(1 235 852)	6 500	(1 560 803)
Other information									
Segment assets	-	907 904	29 996 069	46 214 710	12 266 323	8 730 716	31 705 174	8 929 919	138 750 810
Segment liabilities	-	293 405	22 657 956	13 377 318	1 042 904	339 586	8 135 715	1 957 999	47 804 883

## Reconciliation of segment results to the City's consolidated results is given below:

In thousands of Ukrainian hryvnias	2018	2017
<b>Revenue by segments</b>	<b>123 329 903</b>	<b>104 978 681</b>
Curtailing allocations from the budget	(30 899 737)	(33 374 729)
Curtailing inter-segment revenues	(1 442 003)	(901 722)
Reversal of income from depreciation of fixed assets constructed for the budget	410 159	(776 194)
Recognition of income from gratuitously received assets	-	2 044 122
Adjustment to recognize revenues in the correct accounting period	-	89 805
Curtailing of income from recognition of land and other non-current assets on the balance sheet of budgetary institutions	61 348	-
Other adjustments	(5 899 576)	2 062 317
<b>Consolidated financial information income</b>	<b>85 560 095</b>	<b>74 122 280</b>
In thousands of Ukrainian hryvnias	2018	2017
<b>Segment operating expenses</b>	<b>(125 157 381)</b>	<b>(105 221 445)</b>
Netting of intersegment expenses	41 189 622	39 285 424
Elimination of expenses from recognition of land and other non-current assets by budget entities	411,021	-
Other adjustments	3 588 263	(1 987 711)
<b>Consolidated operating expenses</b>	<b>(79 968 475)</b>	<b>(67 923 732)</b>
In thousands of Ukrainian hryvnias	2018	2017
Segment financial expenses	(1 779 054)	(1 317 683)
Recognition of foreign exchange differences on Eurobonds	-	(396 314)
Interest accrual	-	(3 836)
Reclassification of non-operating foreign currency exchange differences under foreign currency borrowings from operating to financial expenses	-	-
<b>Other adjustments</b>	<b>-</b>	<b>194,329</b>
<b>Consolidated financial expenses</b>	<b>(1 779 054)</b>	<b>(1 523 504)</b>
In thousands of Ukrainian hryvnias	2018	2017
<b>Segment assets</b>	<b>179 108 511</b>	<b>138 750 815</b>
De-recognition of privatized property, plant and equipment	(23 705 101)	(26 215 630)
Netting of intragroup balances	(414 629)	(1 372 717)
Allowance for estimated irrecoverable amounts	-	(1 271 195)
Recognition of service concession assets	-	8 729 771
Correction of financial statement errors	2 206 669	2 765 589
Recognition and revaluation of property, plant and equipment that are not carried on the City's accounting records	(417 877)	1 833 353
Other adjustments	963,558	615,323

In thousands of Ukrainian hryvnias	2018	2017
<b>Consolidated assets</b>	<b>157 741 131</b>	<b>123 835 309</b>
In Ukrainian Hryvnias and in thousands	2017	2016
<b>Segment liabilities</b>	<b>65 291 773</b>	<b>47 804 883</b>
Netting of other liabilities under concession agreements, including improvement	-	(6 935 473)
Netting of liabilities under construction by means of the City's budget funds	(7 619 204)	(6 611 772)
Netting of municipal entities' liabilities under concession agreements	-	(2 927 123)
Netting of intragroup balances	(5 638 579)	(1 372 717)
Recognition of Local Loan Bonds and Eurobonds	12 904 724	12 692 419
Recognition of medium-term borrowings	3 688 454	3 688 454
Other adjustments	3 103 825	(1 988 825)
<b>Consolidated liabilities</b>	<b>71 730 994</b>	<b>44 349 846</b>

## 49. Events after the reporting date

There were no significant events after the reporting date to be disclosed in accordance with the applicable conceptual framework.









Executive Body of the Kyiv City Council  
(Kyiv City State Administration)  
36 Khreshchatyk Street  
Kyiv, 01044, Ukraine  
<https://kyivcity.gov.ua>