

**STATE ENTERPRISE "NATIONAL CULTURAL-ARTS AND MUSEUM
COMPLEX "MYSTETSKYI ARSENAL"**

FINANCIAL STATEMENTS
for the year ended 31 December 2019,
with Independent Auditor's Report

FINANCIAL STATEMENTS
for the year ended 31 December 2019

CONTENTS	PAGES
Independent Auditor's Report	
Statement on Management's Responsibility for Preparation and Approval of Financial Statements	1
Statement of Financial Position	2
Statement of Comprehensive Income	4
Statement of Cash Flows	6
Statement of Changes in Equity	8-9
Notes to the Financial Statements	10-30

INDEPENDENT AUDITOR'S REPORT

To the Management of the State Enterprise "National Cultural-Arts and Museum Complex "Mystetskyi Arsenal"

Qualified Opinion

We have audited the financial statements of the State Enterprise "National Cultural-Arts and Museum Complex "Mystetskyi Arsenal" ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards of Ukraine ("NAS") and meets the requirements of the legislation of Ukraine governing accounting and financial reporting.

Basis for Qualified Opinion

During 2007-2012 the Company received significant subsidies from the State for the reconstruction and overhaul the complex of historic buildings and territories. The Company does not keep records of deferred income by types or by capital investment objects and fixed assets, that prevents us to obtain sufficient accounting records necessary for the confirmation of income during the useful life of the assets. We were unable to obtain sufficient appropriate audit evidence to confirm the reliability and completeness of deferred income as at 31 December 2019, which are stated in the statement of financial position in the amount of UAH 183 431 thousand (2018: 184 491 thousand) and other income in the amount of UAH 1 090 thousand (2018: 1 004 thousand) in the statement of comprehensive income of the Company.

As at 31 December 2019, construction in progress comprises UAH 406 325 thousand (2018: UAH 389 632 thousand). The amount consists of the costs for reconstruction, modernization and renewal of property. Until 2019, the Company kept records of capital investments by their types, but not by objects of capital investments. Such accounting does not allow to put into operation capital investments that have already generated cash flows and created economic benefits, and therefore their value should be accounted within the cost of the rendered services (performed works) in the form of depreciation charge. If the source of modernization of such objects is budget (other purpose) funding, than other income should be increased and the other additional capital should be decreased at the amount of depreciation charge. Due to the lack of accounting records, we cannot reliably evaluate the impact of this misrepresentation on the Company's financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Description of key audit matter	How the scope of our audit responded to the key audit matter
Events after the reporting date and going concern assumption	<p>Our audit procedures for management's forecasts and estimates of the effects of these events after the reporting date and the current operating conditions of the Company in Ukraine have included, but are not limited to, the following:</p> <ul style="list-style-type: none"> - obtaining and reviewing estimates of the acceptability of the going concern assumption in a pandemic; - assessment of the availability of financial resources to support operational activities, taking into account budget funding.
<p>Since March 2020, the Ukrainian economy has been significantly affected by the COVID-19 pandemic and related quarantine measures.</p>	<p>Based on the results of the performed procedures, we have recognized the management's estimates and forecasts for events after the reporting date and management's going concern assumption of the Company in the nearest future as acceptable. At the same time, it is impossible to reliably assess all possible consequences of COVID-19 on the future activities of the Company and the economy as a whole.</p>
<p>The degree of the pandemic's impact on the Company's future operations is currently difficult to assess due to the high level of uncertainty about the spread of the pandemic in the world and in Ukraine, and its implications for the global and Ukrainian economies.</p>	<p>Presentation of information about going concern assumption and events after the reporting date are provided in Notes 3 and 19.</p>
<p>Acceptability of going concern assumption largely depends on the forecasts and estimates made by management. In these circumstances, we have considered the impact of events after the reporting date and other circumstances set out in Note 3 of the financial statements on the Company's ability to continue as a going concern in the nearest future as a key audit matter.</p>	

Emphasis of Matter

We draw attention to Note 9 of the financial statements, which describes the accounting for other long-term liabilities. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Management report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The Engagement partner on the audit resulting in this independent auditor's report is Sergii Fedoruk.
Registration number in the Register of Auditors and Audit Entities: 100514

Sergii Fedoruk on behalf of Nexia DK Audit and Tax LLC
Kyiv, June 12, 2020



STATEMENT ON MANAGEMENT'S RESPONSIBILITY FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The hereinafter statement, which should be considered together with the description of the duties of independent auditor, included in the above presented Independent Auditor's Report, is made in order to differentiate between the responsibilities of the management of State Enterprise "National Cultural-Arts and Museum Complex "Mystetskyi Arsenal" (the "Company") and mentioned independent auditors as to the financial statements of the Company.

Management of the Company is responsible for the preparation of the financial statements that present fairly, in all material aspects, the financial position of the Company as at 31 December 2019, its financial performance and cash flow for the year ended 31 December 2019, and comparative information for the previous reporting period, in accordance with National Accounting (standards) Principles of Ukraine (hereinafter referred to as "NAS").

In the course of preparation of financial statements, the management of the Company is responsible for:

- Selecting and consistently applying appropriate accounting policies;
- Applying reasonable estimates and assumptions;
- Following the corresponding NAS and disclosure of all material variances in the notes to the financial statements;
- Preparation of the financial statements based on the assumption that the Company will continue as going concern except the cases when such assumption is inappropriate.


Management is also responsible for:

- Designing, implementing and maintaining the effective and reliable internal control system;
- Support of the accounting system which enables to prepare the information concerning the financial position of the Company with an appropriate level of accuracy at any time and guarantee the compliance of the financial statements with the requirements of NAS;
- Taking measures within one's competence in order to ensure safekeeping of the assets of the Company;
- Prevention and detection of frauds and other abuses.

The Company's financial statements as of 31 December 2019 were approved by its management on 12 June 2020.


(Signature)
General Manager / Ostrovska-Liuta O.B.
(Position / Name)

Stamp


(Signature)
Chief Accountant / Belets Z.A.
(Position / Name)

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"

Appendix 1
To Ukrainian Accounting Standard 1
«General requirements to financial statements»

Entity: STATE ENTERPRISE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
Territory: Pecherskii district
Type of an entity: State Enterprise
Type of economic activity: Functioning of museums
Average number of employees: 95
Measuring unit: Thousands of UAH
Address: st. Lavrska, 10-12, Kyiv, Pecherskii district, 01010, Ukraine

Date (year month day)

acc. to EDRPOU
acc. to KOATUU
acc. to KOPFG
acc. to KVED

CODES		
2019	12	31
33403498		
8038200000		
140		
91.02		

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) as of 31 December 2019

Form № 1

DKUD

1801001

Assets	Item No	At the beginning of the year	At the end of the year
1	2	3	4
I. Non-current assets			
Intangible assets:	1000	1 793 706	1 817 285
cost	1001	1 794 194	1 818 029
accumulated amortization	1002	(488)	(744)
Construction-in-progress	1005	389 658	406 325
Property, Plant and Equipment:	1010	25 165	23 984
cost	1011	51 451	53 402
accumulated depreciation	1012	(26 286)	(29 418)
Investment property:	1015	-	-
Cost	1016	-	-
accumulated amortization	1017	-	-
Long-term biological assets:	1020	-	-
Cost	1021	-	-
accumulated amortization	1022	-	-
Long-term financial investments:			
accounted according to equity method	1030	-	-
other financial investments	1035	-	-
Long-term trade receivables	1040	5 332	3 189
Deferred tax assets	1045	-	-
Goodwill	1050	-	-
Deferred acquisition expenses	1060	-	-
Remaining funds in centralized insurance reserve funds	1065	-	-
Other non-current assets	1090	-	-
Total, Non-current assets	1095	2 213 861	2 250 783
II. Current assets			
Inventories	1100	4 001	4 423
Raw materials and supplies	1101	3 546	3 857
Work in progress	1102	-	-
Finished goods	1103	-	-
Merchandise	1104	455	566
Current biological assets	1110	-	-
Reinsurance deposits	1115	-	-
Promissory notes received	1120	-	-
Trade receivables	1125	230	240
Receivables from:			
Prepayments	1130	-	-
state budget	1135	11 417	9 862
including income tax receivable	1136	597	744
Receivables from accrued income	1140	-	-
Receivables from internal transactions	1145	-	-
Other receivables	1155	4 370	2 891
Current financial investments	1160	-	-
Cash and cash equivalents	1165	786	3 207
Petty cash	1166	18	11
Current bank accounts	1167	767	3 196
Deferrals	1170	-	26
Reinsurer's share in insurance provision including:	1180	-	-
Provision for long-term liabilities	1181	-	-
Provision for loss and appropriate expenses	1182	-	-
Provision for unearned premiums	1183	-	-
Other current assets	1190	1 467	1 566
Total, Current assets	1195	22 271	22 215
III. Non-current assets held for sale and discontinued operations	1200	-	-
TOTAL	1300	2 236 132	2 272 998

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"

Equity and Liabilities	Item No	At the beginning of the year	At the end of the year
1	2	3	4
I. Equity			
Authorized (share) capital	1400	5 078	5 078
Contributions to non-authorized capital	1401	-	-
Revaluation surplus	1405	-	-
Additional capital	1410	1 927 015	1 950 511
Capital surplus	1411	-	-
Accumulated foreign exchange differences	1412	-	-
Capital reserves	1415	-	-
Retained earnings	1420	(9 012)	(9 957)
Unpaid capital	1425	-	-
Bought out capital	1430	-	-
Other provisions	1435	-	-
Total, Equity	1495	1 923 081	1 945 632
II. Long-term liabilities and provisions			
Deferred tax liabilities	1500	-	-
Pension plan liabilities	1505	-	-
Long-term bank loans	1510	-	-
Other long-term liabilities	1515	119 600	119 600
Long-term provisions	1520	-	-
Long-term provisions on payments to employees	1521	-	-
Special-purpose financing	1525	-	-
Charity	1526	-	-
Insurance provisions including:	1530	-	-
Provision for long-term liabilities	1531	-	-
Provision for loss	1532	-	-
Provision for unearned premiums	1533	-	-
Other insurance reserves	1534	-	-
Investing contracts	1535	-	-
Prize fund	1540	-	-
Jackpot payment reserves	1545	-	-
Total, Long-term liabilities and provisions	1595	119 600	119 600
III. Short-term liabilities			
Short-term bank loans	1600	-	-
Promissory notes issued	1605	-	-
Payables for:			
long-term liabilities	1610	-	-
trade payables	1615	148	34
payables to state budget	1620	-	-
including income tax payable	1621	-	-
payables for insurance	1625	-	-
payables to employees	1630	15	15
advances received	1635	-	-
payables to equity owners	1640	(785)	(819)
internal payments	1645	-	-
insurance payments	1650	-	-
Current provisions	1660	1 744	1 736
Deferred income	1665	184 491	200 124
Deferred commission income from reinsurer	1670	-	-
Other current liabilities	1690	7 838	6 676
Total, Short-term liabilities	1695	193 451	207 766
IV. Liabilities arising from non-current assets held for sale and discontinued operations	1700	-	-
Net asset value of non-state pension fund	1800	-	-
TOTAL	1900	2 236 132	2 272 998

General Manager

Ostrovsk-Liuta O.B.

Chief Accountant

Belets Z.A.

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

**STATEMENT
OF COMPREHENSIVE INCOME
for the year 2019**

Form № 2

DKUD

1801003

I. PROFIT AND LOSS

Article title	Line code	2019	2018
1	2	3	4
Revenue	2000	10 637	10 006
Net earned premiums	2010	-	-
Premiums written, gross	2011	-	-
Premiums transferred to reinsurance	2012	-	-
Changes in unearned premiums provision, gross	2013	-	-
Changes in reinsurers' share in unearned premiums provision	2014	-	-
Cost of sales	2050	(28 170)	(24 163)
Gross:			
profit	2090	-	-
loss	2095	(17 533)	(14 157)
Income (expenses) from changes in long-term liabilities provision	2105	-	-
Income (expenses) from changes in other insurance provision	2110	-	-
Changes in other insurance provision, gross	2111	-	-
Changes in reinsurers' share in other insurance provision	2112	-	-
Other operating income	2120	48 292	42 431
Income from changes in assets measured at fair value	2121	-	-
Income from initial recognition of biological assets and agricultural products	2122	-	-
Income from the use of funds released of taxation	2123	-	-
Administrative expenses	2130	(34 860)	(29 272)
Selling expenses	2150	-	-
Other operating expenses	2180	(1 420)	(374)
Cost of changes in assets measured at fair value	2181	-	-
Expenses on initial recognition of biological assets and agricultural products	2182	-	-
Financial result from operating activities:			
profit	2190	-	-
loss	2195	(5 521)	(1 372)
Equity method income	2200	-	-
Other financial income	2220	99	11
Other income	2240	5 120	1 978
Income from charity	2241	-	-
Financial expenses	2250	(643)	-
Equity method loss	2255	-	-
Other expenses	2270	-	-
Profit (loss) from inflation impact on monetary item	2275	-	-
Financial result before income tax:			
profit	2290	-	617
loss	2295	(945)	-
Income tax	2300	-	-
Profit (loss) from discontinued operations after tax	2305	-	-
Net financial result:			
profit	2350	-	617
loss	2355	(945)	-

II. OTHER COMPREHENSIVE INCOME

Article title	Line code	2019	2018
1	2	3	4
Revaluation of non-current assets	2400	23 496	-
Revaluation of financial instruments	2405	-	-
Accumulated exchange differences	2410	-	-
Share of other comprehensive income of associates and joint ventures	2415	-	-
Other comprehensive income	2445	-	-
Other comprehensive income before income tax	2450	23 496	-
Income tax on other comprehensive income	2455	-	-
Other comprehensive income after tax	2460	23 496	-
Comprehensive income (items 2350, 2355 and 2460)	2465	22 551	617

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

III. OPERATING EXPENSES

Article title	Line code	2019	2018
1	2	3	4
Cost of materials used	2500	2 388	2 372
Labor costs	2505	27 810	23 293
Social insurance contributions	2510	5 801	4 951
Depreciation and amortization	2515	3 389	2 546
Other operating expenses	2520	24 859	20 647
Total	2550	64 247	53 809

IV. EARNINGS PER SHARE

Article title	Line code	2019	2018
1	2	3	4
Average number of ordinary shares	2600	-	-
Diluted average number of ordinary shares	2605	-	-
Earnings per share	2610	-	-
Diluted earnings per share	2615	-	-
Dividends per share	2650	-	-

General Manager

Chief Accountant



O. Ostrovska-Liuta
Z. Belets

Ostrovska-Liuta O.B.

Belets Z.A.

STATEMENT OF CASH FLOWS (DIRECT METHOD)
for the year 2019

Form № 3

Code under DKUD 1801006

Article title	Line code	Reporting period	Same period of the previous year
1	2	3	4
I. Cash flow from operating activities		12 764	12 007
Inflows from:			
Sale of products (goods, works, services)	3000		
Return of taxes and levies	3005	-	-
Including value added tax	3006	-	-
Special purpose financing	3010	67 313	40 384
Receipt of subsidies, donations	3011	-	-
Inflows of advances from buyers and customers	3015	-	-
Inflows from return of advances	3020	-	-
Inflows from interest on funds on current accounts	3025	-	-
Inflows from debtors of forfeits (fines, penalties)	3035	-	-
Inflows from operating lease	3040	144	131
Inflows from royalty, copyrights	3045	-	-
Inflows from insurance premiums	3050	-	-
Inflows of financial institutions from repayment of loans	3055	-	-
Other inflows	3095	3 140	3 923
Expenditure to pay		(23 328)	(22 506)
Goods (works, services)	3100		
Labor	3105	(21 996)	(18 668)
Social charges	3110	(5 786)	(4 992)
Tax and levy liabilities	3115	(5 992)	(5 013)
Expenses to pay income tax liabilities	3116	(147)	(133)
Expenses to pay value added tax liabilities	3117	-	-
Expenses to pay other tax and levies liabilities	3118	(310)	(255)
Expenses to pay advances	3135	-	-
Expenses to return advances	3140	-	-
Expenses to pay target contributions	3145	-	-
Expenses to pay liabilities from insurance contracts	3150	-	-
Expenses of financial institutions from providing loans	3155	-	-
Other expenses	3190	(1 327)	(861)
Net cash flow from operating activity	3195	24 932	4 405
II. Cash flow from investment activity			
Inflows from sales of financial investments	3200	-	-
Non-current assets	3205	-	-
Inflows from received:			
Interest	3215	-	-
Dividends	3220	-	-
Inflows from derivatives	3225	-	-
Inflows from repayment of loans	3230	-	-
Inflows from excluding of subsidiaries or other business unit	3235	-	-
Other inflows	3250	-	-
Expenses to purchase:			
Financial investments	3255	-	-
Non-current assets	3260	(22 610)	(4 280)
Payments of derivatives	3270	-	-
Expenses to extend loans	3275	-	-
Expenses on acquisition of subsidiaries or other business unit	3280	-	-
Other payments	3290	-	-
Net cash inflow from investment activity	3295	(22 610)	(4 280)

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"

III. Cash flow from financing activity		-	-
Inflows from:			
Equity	3300	-	-
Receipt of loans	3305	-	-
Inflows from selling shares of subsidiaries	3310	-	-
Other inflows	3340	99	-
Expenditure to:		-	-
Repurchase own stock	3345	-	-
Loans repayment	3350	-	-
Payment of dividends	3355	-	-
Payment of interest	3360	-	-
Expenses to pay financial rent debt	3365	-	-
Expenses on purchasing shares of subsidiaries	3370	-	-
Expenses on payment to non-controlled shares of subsidiaries	3375	-	-
Other payments	3390	-	-
Net cash flow from financing activity	3395	99	-
Net cash flow for the reporting period	3400	2 421	125
Cash and cash equivalents at the beginning of the period	3405	786	661
Effect of changes in exchange rates on cash balances	3410	-	-
Cash and cash equivalents at the end of the period	3415	3 207	786

General Manager

Chief Accountant



Ostrovsk-Liuta O.B.

Belets Z.A.

STATEMENT OF CHANGES IN EQUITY
for the year 2019

Form № 4

DKUD

1801005

Article title	Line code	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Retained earnings	Unpaid capital	Bought out capital	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	5 078	-	1 927 015	-	(9 012)	-	-	1 923 081
Adjustments:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
At the beginning of the year, adjusted	4095	5 078	-	1 927 015	-	(9 012)	-	-	1 923 081
Net result for the year	4100	-	-	-	-	(945)	-	-	(945)
Other comprehensive income for the year	4110	-	-	23 496	-	-	-	-	23 496
Revaluation of non-current assets	4111	-	-	23 496	-	-	-	-	23 496
Revaluation of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated foreign exchange differences	4113	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	4114	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	-	-	-	-
Earnings distributions:									
Dividends	4200	-	-	-	-	-	-	-	-
Net profit directed to authorized capital	4205	-	-	-	-	-	-	-	-
Transfer to capital reserves	4210	-	-	-	-	-	-	-	-
Net profit directed to the budget	4215	-	-	-	-	-	-	-	-
Net profit aimed at creating of special funds	4220	-	-	-	-	-	-	-	-
Net profit directed to material encouragement	4225	-	-	-	-	-	-	-	-
Owners contributions:									
Contributions to capital	4240	-	-	-	-	-	-	-	-
Payments on unpaid capital	4245	-	-	-	-	-	-	-	-
Capital outflow:									
Shares buy out	4260	-	-	-	-	-	-	-	-
Reselling of shares	4265	-	-	-	-	-	-	-	-
Cancellation of shares bought out	4270	-	-	-	-	-	-	-	-
Withdrawal of a share in capital	4275	-	-	-	-	-	-	-	-
Decrease in the nominal value of shares	4280	-	-	-	-	-	-	-	-
Other changes in capital	4290	-	-	-	-	-	-	-	-
Buying (selling) of non-controlling share in subsidiaries	4291	-	-	-	-	-	-	-	-
Total changes in capital	4295	-	-	23 496	-	(945)	-	-	22 551
At the end of the year	4300	5 078	-	1 950 511	-	(9 957)	-	-	1 945 632

General Manager

Ostrovska-Liuta O.B.

Chief Accountant

Belets Z.A.

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

STATEMENT OF CHANGES IN EQUITY
for the year 2018

Form № 4

DKUD

1801005

Article title	Line code	Authorized capital	Revaluation surplus	Additional capital	Capital reserves	Retained earnings	Unpaid capital	Bought out capital	Total
1	2	3	4	5	6	7	8	9	10
At the beginning of the year	4000	5 078	-	1 926 827	-	(8 292)	-	-	1 923 613
Adjustments:									
Changes in accounting policies	4005	-	-	-	-	-	-	-	-
Correction of errors	4010	-	-	-	-	-	-	-	-
Other changes	4090	-	-	-	-	-	-	-	-
At the beginning of the year, adjusted	4095	5 078	-	1 926 827	-	(8 292)	-	-	1 923 613
Net result for the year	4100	-	-	-	-	617	-	-	617
Other comprehensive income for the year	4110	-	-	188	-	-	-	-	188
Revaluation of non-current assets	4111	-	-	188	-	-	-	-	188
Revaluation of financial instruments	4112	-	-	-	-	-	-	-	-
Accumulated foreign exchange differences	4113	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	4114	-	-	-	-	-	-	-	-
Other comprehensive income	4116	-	-	-	-	-	-	-	-
Earnings distributions:									
Dividends	4200	-	-	-	-	-	-	-	-
Net profit directed to authorized capital	4205	-	-	-	-	-	-	-	-
Transfer to capital reserves	4210	-	-	-	-	-	-	-	-
Net profit directed to the budget	4215	-	-	-	-	(463)	-	-	(463)
Net profit aimed at creating of special funds	4220	-	-	-	-	-	-	-	-
Net profit directed to material encouragement	4225	-	-	-	-	-	-	-	-
Owners contributions:									
Contributions to capital	4240	-	-	-	-	-	-	-	-
Payments on unpaid capital	4245	-	-	-	-	-	-	-	-
Capital outflow:									
Shares buy out	4260	-	-	-	-	-	-	-	-
Reselling of shares	4265	-	-	-	-	-	-	-	-
Cancellation of shares bought out	4270	-	-	-	-	-	-	-	-
Withdrawal of a share in capital	4275	-	-	-	-	-	-	-	-
Decrease in the nominal value of shares	4280	-	-	-	-	-	-	-	-
Other changes in capital	4290	-	-	-	-	(874)	-	-	(874)
Buying (selling) of non-controlling share in subsidiaries	4291	-	-	-	-	-	-	-	-
Total changes in capital	4295	-	-	188	-	(720)	-	-	(532)
At the end of the year	4300	5 078	-	1 927 015	-	(9 012)	-	-	1 923 081

General Manager

Ostrovska-Liuta O.B.

Chief Accountant

Belets Z.A.

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
 (in thousands of UAH)

Entity: SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
Territory: Pecherskii
State administration: State Management of Affairs
Legal form: State Enterprise
Type of activity: Functioning of museums
Measurement unit: thousand UAH

Date (year, month, day)
 EDRPOU
 KOATUU
 SPODU
 KOPFG
 KVED

Codes
2019 12 31
33403498
8038200000
57474
140
91.02

**NOTES TO THE FINANCIAL STATEMENTS
 for the year 2019**

Form № 5

Code under DKUD

1801008

I. Intangible assets

Group of intangible assets	Line code	Opening balance		Additions for the year	Revaluation (surplus +, loss -)		Disposals for the year		Accrued amortization for the year	Impairment loss for the year	Other changes for the year		Closing balance	
		Initial (revaluated) cost	Accumulated amortization		Initial (revaluated) cost	Accumulated amortization	Initial (revaluated) cost	Accumulated amortization			Initial (revaluated) cost	Accumulated amortization	Initial (revaluated) cost	Accumulated amortization
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Natural resources rights	010	-	-	-	-	-	-	-	-	-	-	-	-	-
Enjoyment of property	020	1 793 234	-	-	23 496	-	-	-	-	-	-	-	1 816 730	-
Business names rights	030	1	1	-	-	-	-	-	-	-	-	-	1	1
Industrial property rights	040	-	-	-	-	-	-	-	-	-	-	-	-	-
Copyright and allied rights	050	311	311	-	-	-	-	-	-	-	-	-	311	311
	060	-	-	-	-	-	-	-	-	-	-	-	-	-
Other intangible assets	070	648	176	339	-	-	-	-	256	-	-	-	987	432
Total	080	1 794 194	488	339	23 496	-	-	-	256	-	-	-	1 818 029	744
Goodwill	090	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 080 column 14

Cost of intangible assets with restricted ownership right

Cost of pledged intangible assets

Cost of internally generated intangibles

From the line 080 column 5

Cost of intangible assets for earmarking

From the line 080 column 15

Accumulated amortization of intangible assets with restricted ownership right

(081) —
 (082) —
 (083) —
 (084) —
 (085) —

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
 (in thousands of UAH)

II. Property, plant and equipment

Groups of property, plant and equipment	Line code	Opening balance		Additions for the year	Revaluation (surplus +, loss -)		Disposed of during the year		Accrued depreciation for the year	Impairment loss	Other changes for the year		Closing balance		including			
					historical (revaluated) cost	depreciation	historical (revaluated) cost	depreciation			historical (revaluated) cost	depreciation			Received under finance lease		Transferred to operating lease	
		historical (revaluated) cost	depreciation										historical (revaluated) cost	depreciation	historical (revaluated) cost	depreciation	historical (revaluated) cost	depreciation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
Land plots	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment property	105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditures for land improvements	110	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings, structures and transmitting equipment	120	42 092	19 697	-	-	-	-	-	844	-	-	-	42 092	20 541	-	-	-	-
Machinery and equipment	130	2 668	1 215	259	-	-	-	-	402	-	-	-	2 927	1 617	-	-	-	-
Vehicles	140	361	361	-	-	-	-	-	-	-	-	-	361	361	-	-	-	-
Instruments, fixtures, implements (furniture)	150	1 204	267	102	-	-	-	-	267	-	-	-	1 306	534	-	-	-	-
Animals	160	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plants	170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other property, plant and equipment	180	1 306	1 035	-	-	-	-	-	33	-	-	-	1 306	1 068	-	-	-	-
Library stock	190	65	29	-	-	-	-	-	-	-	-	-	65	29	-	-	-	-
Law value non-current tangible assets	200	3 755	3 682	1 578	-	-	-	-	1 586	-	-	-	5 333	5 268	-	-	-	-
Temporary (non-title) structures	210	-	-	12	-	-	-	-	-	-	-	-	12	-	-	-	-	-
Natural resources	220	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reusable containers	230	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased objects	240	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-current tangible assets	250	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	260	51 451	26 286	1 951	-	-	-	-	3 132	-	-	-	53 402	29 418	-	-	-	-

From line 260 column 14	Cost of PPE for which there are restricted ownership rights provided by the legislation in force	(261)	-
	Cost of pledged PPE	(262)	-
	Depreciated cost of PPE temporarily not used (conservation, reconstruction, etc.)	(263)	-
From line 260 column 8	Historical (revaluated) cost of fully depreciated PPE	(264)	2 691
	Cost of PPE available-for-sale	(265)	-
From line 260 column 5	Cost of fixed assets acquired from target financing	(266)	1 297
	Cost of fixed assets in operating lease	(267)	-
From line 260 column 15	Depreciation of PPE for which there are restricted ownership rights	(268)	-
From line 105 column 14	Cost of the investment property estimated at fair value	(269)	-

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
 (in thousands of UAH)

III. Capital investments

Indicator	Line code	For the year	At the year-end
1	2	3	4
Capital construction	280	16 692	406 325
Acquisition (manufacture) of fixed assets	290	348	-
Acquisition (manufacture) of other non-current tangible assets	300	1 578	-
Acquisition (manufacture) of intangible assets	310	339	-
Forming of principal stock	320	-	-
Other	330	-	-
Total	340	18 957	406 325

From line 340 column 3	Capital investments in investment property	(341)	=	
	Financial expenses included in capital investments	(342)	=	

IV. Financial investments

Indicator	Line code	For the year	At the year-end	
			Long-term	Current
1	2	3	4	5
A. Financial investments under the equity method in:				
Associates	350	-	-	-
Subsidiaries	360	-	-	-
Joint activity	370	-	-	-
B. Other financial investments in:				
Shares in the statutory capital of other companies	380	-	-	-
Shares	390	-	-	-
Bonds	400	-	-	-
Other	410	-	-	-
Total (unit A + unit B)	420	-	-	-

From line 1035 column 4
 Balance sheet

Other long-term investments are reported at:

Cost	(421)	-
Fair value	(422)	-
Depreciated cost	(423)	-

From line 1160 column 4
 Balance sheet

Current financial investments are reported at:

Cost	(424)	-
Fair value	(425)	-
Depreciated cost	(426)	-

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of UAH)

V. Income and expenses

Indicator	Line code	Income	Expenses
1	2	3	4
A. Other operating income and expenses			
Operating lease of assets	440	120	-
Operating exchange rate difference	450	13	60
Sale of other current assets	460	-	-
Fines, penalties, forfeits	470	104	8
Maintenance of communal and social and cultural objects	480	-	-
Other operating income and expenses, including	490	48 055	1 352
charges to provision for doubtful debts	491	X	1 331
nonproductive charges and losses	492	X	-
B. Equity income and loss on investments in:			
Associates	500	-	-
Subsidiaries	510	-	-
Joint activity	520	-	-
C. Other financial income and expenses			
Dividends	530	-	X
Interest	540	X	-
Financial lease of assets	550	-	-
Other financial income and expenses	560	99	643
D. Other income and expenses			
Sale of financial investments	570	-	-
Sale of non-current assets	580	-	-
Sale of property complexes	590	-	-
Not operating exchange rate difference	600	-	-
Assets received free of charge	610	-	X
Write-off of non-current assets	620	-	-
Other income and expenses	630	5 120	-

Barter transactions with products	(631)	-
Portion of income from sale under barter contracts with related parties	(632)	- %
From lines 540-560 column 4 financial expenses included in cost of products from principal activity	(633)	-

VI. Cash

Indicator	Line code	At the year-end
1	2	3
Cash	640	11
Current bank account	650	3 196
Other bank accounts (bills of credit, cheque-books)	660	-
Cash in transit	670	-
Cash equivalents	680	-
Total	690	3 207

From line 1190 column 4 Balance sheet (Statement of financial position) Restricted cash	(691)	-
---	-------	---

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of UAH)

VII. Provisions and reserves

Types of provisions and reserves	Line code	Opening balance	Increase for the reporting year		Used in the reporting year	Reversed unused amount in the reporting period	The amount of expected compensation of expenses by another party accounted for during the provision evaluation	Closing balance
			Accrued (charged)	Additional deductions				
1	2	3	4	5	6	7	8	9
Provision for vacation commitment	710	1 744	2 045	-	2 053	-	-	1 736
Provision for deferred expenses for additional pension benefits	720	-	-	-	-	-	-	-
Provision for deferred expenses for guarantee obligations	730	-	-	-	-	-	-	-
Provision for deferred expenses for restructuring	740	-	-	-	-	-	-	-
Provision for deferred expenses for onerous contracts obligations	750	-	-	-	-	-	-	-
Other provisions – technical maintenance	760	-	-	-	-	-	-	-
Provision for doubtful debts	775	53	1 331	-	33	-	-	1 351
Total	780	1 797	3 376	-	2 086	-	-	3 087

VIII. Inventories

Indicator	Line code	Carrying amount at the year-end	Revaluation for the year	
			Increase of the net realizable value	loss
1	2	3	4	5
Raw materials	800	896	-	-
Purchasing semi-finished goods and componentry	810	-	-	-
Fuel	820	43	-	-
Containers and container materials	830	-	-	-
Construction materials	840	2 783	-	-
Spare parts	850	117	-	-
Agricultural materials	860	-	-	-
Reapers and fatteners	870	-	-	-
Low value and fast wearing items	880	18	-	-
Work in progress	890	-	-	-
Finished products	900	-	-	-
Goods	910	566	-	-
Total	920	4 423	-	-

From the line 920 column 3 Carrying amount of inventories:

Reported at the net realizable value (921) -

Transferred to reprocessing (922) -

Pledged (923) -

On commission (924) -

On custody (off-balance sheet account 02) (925) -

From line 1200, column 4 of the Balance Sheet (Statement of Financial Position), inventories intended for sale

(926) -

* is determined by paragraph 28 of NA(s)P 9 "Inventories"

IX. Accounts receivable

Indicator	Line code	Total at the year-end	Including those under the non-maturity		
			Up to 12 months	from 12 to 18 months	from 18 to 36 months
1	2	3	4	5	6
Accounts receivable for goods, work, services	940	240	-	-	-
Other current accounts receivable	950	2 891	-	-	-

Bad debts written-off in the reporting year

(951) -

From lines no 940 and 950 column 3 receivables from related parties

(952) -

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(in thousands of UAH)

X. Shortages and losses from damage of inventories

Indicator	Line code	Amount
1	2	3
Detected (written off) shortages and losses for the year	960	-
Recognized as indebtedness of guilty persons in the reporting period	970	-
Shortages and losses with the final decision as to guilty persons not taken at the year-end (off-balance sheet account 072)	980	-

XI. Construction contracts

Indicator	Line code	Amount
1	2	3
Income under construction contract for the reporting year	1110	-
Indebtedness at the end of the reporting year:		
Gross due from customers	1120	-
Gross due to customers	1130	-
From advances received	1140	-
Amounts of trapped cash at the year-end	1150	-
Cost of work performed by contractors under incomplete construction contracts	1160	-

XII. Income tax

Indicator	Line code	Amount
1	2	3
Current income tax	1210	-
Deferred tax assets: at the beginning of reporting year	1220	-
At the end of reporting year	1225	-
Deferred tax liabilities: at the beginning of reporting year	1230	-
At the end of reporting year	1235	-
Included in the Income statement – total	1240	-
including: current income tax	1241	-
decrease (increase) of deferred tax assets	1242	-
increase (decrease) of deferred tax liabilities	1243	-
Reported in the equity:	1250	-
including: current income tax	1251	-
decrease (increase) in deferred tax assets	1252	-
increase (decrease) in deferred tax liabilities	1253	-

XIII. Use of depreciation charges

Indicator	Line code	Amount
1	2	3
Accrued for the reporting period	1300	3 388
Total used for the year	1310	-
including:		
for construction	1311	-
Acquisition (manufacture) and improvement of fixed assets	1312	-
Out of them machinery and equipment	1313	-
Acquisition (manufacture) of intangible assets	1314	-
Repayment of loans for capital investments	1315	-

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
 (in thousands of UAH)

XIV. Biological assets

Groups of biological assets	Line code	Accounted at the initial cost										Accounted at the fair value				
		Opening balance		Additions for the year	Disposals for the year		Depreciation charged during the year	Impairment loss	Gains from impairment reversal	Closing balance		Opening balance (not audited)	Additions for the year	Change of cost during the year	Disposed during the year	Closing balance
		Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation				Historical cost	Accumulated depreciation					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Long-term biological assets – total	1410	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
including:																
Workstock	1411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Productive livestock	1412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perennial plantings	1413	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1414	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term biological assets	1415	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current biological assets – total	1420	-	X	-	-	X	X	-	-	-	X	-	-	-	-	-
including:																
Rearers and fatteners	1421	-	X	-	-	X	X	-	-	-	X	-	-	-	-	-
Biological assets in the state of biological transformation (except for rearers and fatteners)	1422	-	X	-	-	X	X	-	-	-	X	-	-	-	-	-
	1423	-	X	-	-	X	X	-	-	-	X	-	-	-	-	-
Other current biological assets	1424	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

From line 1430 column 5 and column 14	Cost of biological assets, acquired from special-purpose financing	(1431)	-
From line 1430 column 6 and column 16	Depreciation cost of long-term biological assets, initial cost of current biological assets and fair value of biological assets lost as a result of emergency events	(1432)	-
From line 1430 column 11 and column 17	Balance sheet cost of biological assets, regarding of which there exist restrictions of property rights according to current legislation	(1433)	-

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

SE "NATIONAL CULTURAL-ARTS AND MUSEUM COMPLEX "MYSTETSKYI ARSENAL"
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
 (in thousands of UAH)

XV. Financial results from initial recognition and sale of agricultural products and additional biological assets

Indicator	Line code	Cost of initial recognition	Expenses from biological transformation	Result of initial recognition		Discount	Revenue from realization	Cost of sales	Financial result (profit +, loss -) from	
				Income	Expenses				Realization	Initial recognition and realization
1	2	3	4	5	6	7	8	9	10	11
Products and other biological assets of plant-growing – total	1500	-	-	-	-	-	-	-	-	-
Including		-	-	-	-	-	-	-	-	-
Cereals and leguminous plants	1510	-	-	-	-	-	-	-	-	-
Among them are										
Wheat	1511	-	-	-	-	-	-	-	-	-
Soy	1512	-	-	-	-	-	-	-	-	-
Sunflower	1513	-	-	-	-	-	-	-	-	-
Rape	1514	-	-	-	-	-	-	-	-	-
Sugar-beet	1515	-	-	-	-	-	-	-	-	-
Potatoes	1516	-	-	-	-	-	-	-	-	-
Large fruits	1517	-	-	-	-	-	-	-	-	-
Other plant-growing products	1518	-	-	-	-	-	-	-	-	-
Additional biological assets of plant-growing	1519	-	-	-	-	-	-	-	-	-
Products and additional biological assets of animal breeding - total	1520	-	-	-	-	-	-	-	-	-
including		-	-	-	-	-	-	-	-	-
BWG – total	1530	-	-	-	-	-	-	-	-	-
Among them are										
Cattle	1531	-	-	-	-	-	-	-	-	-
Swine	1532	-	-	-	-	-	-	-	-	-
Milk	1533	-	-	-	-	-	-	-	-	-
Wool	1534	-	-	-	-	-	-	-	-	-
Eggs	1535	-	-	-	-	-	-	-	-	-
Other products of animal breeding	1536	-	-	-	-	-	-	-	-	-
Additional biological assets of animal breeding	1537	-	-	-	-	-	-	-	-	-
Fish-breeding products	1538	-	-	-	-	-	-	-	-	-
	1539	-	-	-	-	-	-	-	-	-
Agricultural products and additional biological products – total	1540	-	-	-	-	-	-	-	-	-

General Manager

Ostrovska-Liuta O.B.

Chief Accountant

Belets Z.A.

These financial statements should be read in conjunction with the attached notes, being the integral part hereof

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

(in thousands of UAH, unless otherwise specified)

1. Information about the Company and its core activities

State Enterprise "National Cultural-Arts and Museum Complex "Mystetskyi Arsenal" (hereinafter referred to as the "Company"), established in compliance with the Decree of the President of Ukraine dated 15 December 2000 No. 1343 "On the celebration of Ukraine's accession to the third millennium," the Resolution of the Cabinet of Ministers of Ukraine dated 3 March 2005 No. 49 "On the establishment of the Mystetskyi Arsenal National Cultural-Arts and Museum Complex", in accordance with the Order of the Ministry of Culture and Arts of Ukraine dated 22 April 2005 No. 232 and transferred to the Management of Affairs in accordance with Resolution №699 of the Cabinet of Ministers of Ukraine dated 5 September 2007.

The Company in its organizational and legal form is a state-owned enterprise based on state ownership and is managed by the State Management of Affairs (hereinafter referred to as the Office of Property Management). The governing body of the Company is the State Management of Affairs.

The Company is on the List of Cultural and Artistic Institutions that are maintained or get financial support from the state budget, approved by the Cabinet of Ministers of Ukraine by Resolution No. 1557 dated 16 November 2001, as well as on the List of Institutions of Culture of the Basic Network at the National Level.

The Cultural-Arts and Museum Complex "Mystetskyi Arsenal" was awarded the National status by the Presidential Decree "On the granting of national status to the Mystetskyi Arsenal National Cultural-Arts and Museum Complex" No. 94/2010 dated 3 February 2010.

The mission of the Mystetskyi Arsenal is to contribute to modernization of Ukrainian society and Ukraine's integration into the global context based on the axiological potential of culture. To accomplish this: to broach social issues of immediate interest, to establish productive contacts with the international community, to introduce outstanding phenomena of artistic and intellectual culture and stimulate their development.

The status of the Company determines the objectives of its establishment, namely:

- satisfaction of cultural needs of the Ukrainian population, use of the achievements of Ukrainian national culture in the spiritual development of the society, fulfillment of other tasks aimed at raising the Ukrainian national consciousness, education of Ukrainian citizens in the spirit of respect for the national culture and their state;
- organization of events and receptions involving senior officials of the state, heads of foreign states and official delegations;
- creation of the core center for the promotion of the Ukrainian culture and an example for other museums, cultural and artistic institutions of the country;
- ensuring accessibility of cultural services and cultural activities for every citizen;
- satisfaction of national and cultural needs of citizens, creation, distribution and popularization of literary works and art;
- promotion of the Ukrainian culture, preservation and enhancement of national cultural wealth, promotion of the development of art, museum affairs, Ukrainian culture in general.

The Company belongs to the system of enterprises, institutions and organizations that support the activities of the President of Ukraine, advisory, consulting and subsidiary institutions and services.

2. Company's operating environment in Ukraine

The Company's operations are carried out in Ukraine. The Ukrainian economy continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine.

For the last years Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict in certain parts of Luhansk and Donetsk regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia.

In 2019, annual inflation rate amounted to 4,1% compared to 9.8% in 2018. The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 3,2% (2018: 3.3%) and stabilization of national currency.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the NBU to promulgate more liberal currency regulation and soften a number of currency restrictions.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

In addition, the negative trends in world markets caused by the coronavirus epidemic (COVID-19) may affect the economy of Ukraine in general and the Company in particular. At the end of 2019, news about the coronavirus came from China for the first time. The situation at the end of the same year was that a limited number of cases of infection with an unknown virus were reported to the World Health Organization. In the first few months of 2020, the virus spread around the world and its negative impact is constantly gaining momentum. Management considers this outbreak to be a non-adjusting event after the reporting date (Note 19).

Management will continue to monitor the potential impact of this situation and will take all possible steps to minimize its consequences.

These financial statements reflect the estimate by the key management of the potential impact of the economic situation in Ukraine on the operating activities and financial position of the Company. Further changes in the country's economic situation can differ considerably from the management's estimate.

3. Summary of significant accounting policies

General information

These financial statements were prepared in accordance with the National Accounting (Standards) Principles of Ukraine (NAS) which were approved by the Ministry of Finance of Ukraine and registered with the Ministry of Justice of Ukraine and were in effect at the reporting date of these financial statements.

The financial statements are prepared in the national currency of Ukraine - the Ukrainian hryvnia. All the amounts are in thousands of UAH, unless indicated otherwise.

The Company uses the following main accounting policies for preparation of the financial statements:

Functional currency

The functional currency of the Company is Ukrainian Hryvnia ("UAH"), being the currency of the environment in which all business transactions are performed. Operations in currencies other than UAH are considered transactions in foreign currencies.

Transactions in foreign currencies

Transactions in a foreign currency are recorded in UAH at the exchange rate prevailing on the beginning of the date of the transaction.

All income, expenses and balances denominated in foreign currencies are translated into UAH using the official exchange rate by National Bank of Ukraine.

Foreign exchange currency differences concerning monetary assets and liabilities are recognized at the reporting date and at the date of transaction within the reporting period.

Foreign currency exchange rates in which balances and transactions of the Company existed during preceding two years were as following:

	At 31 December 2019	Average for 2019	At 31 December 2018	Average for 2018
UAH/ USD	23,6862	25,8456	27,6883	27,2175
UAH/ EUR	26,4220	28,9518	31,7141	32,1289

Significant accounting estimates and judgments

Preparation of the financial statements requires from the Company's management to make estimates and assumptions which influence the presentation in the financial statements of the amounts of assets and liabilities, income and expenses recognized in the financial statements, as well as the disclosure of information about contingent assets and liabilities.

These management estimates and assumptions are based on the information available on the date of preparation of the financial statements. Actual results can differ from the current estimates. These estimates and assumptions are regularly reviewed, and, if adjustments are necessary, such adjustments are presented in profit and loss in the period in which it became known about them. Information on the most significant accounting judgments and assumptions of the Company's management is presented below.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

(in thousands of UAH, unless otherwise specified)

Useful lives of non-current assets

The Company estimates the remaining useful lives of non-current assets (property, plant and equipment, intangible assets) at least at the end of each financial year. Sometimes new expectations differ from previous estimates; these changes are considered to be a change in accounting estimates and are accounted for prospectively. These estimates can have a material impact on the carrying amount of non-current assets and depreciation and amortization charge recognized in the statement of comprehensive income.

During 2019, the management of the Company determined that there were no changes in useful lives of the Company's non-current assets.

Impairment of non-current assets

At each reporting date the Company assesses whether there are indicators of possible impairment of a specific asset or a group of assets forming a cash generating unit. The evaluation of impairment of property, plant and equipment requires application of estimates which include determining the reason, time, and the amount of impairment. The estimation of impairment is based on a number of factors such as change in current competitive environment, expectation of the expansion of industry, increase in cost of capital, changes in future accessibility of financing, technological deterioration, termination of a certain type of activity, current cost of reimbursement, and other changes in circumstances leading to the recognition of impairment.

At the reporting dates presented in these financial statements, the Company did not identified indicators of possible impairment of a specific asset or a group of assets forming a cash generating unit.

Allowance for doubtful debts

Allowance for doubtful debts is accrued based on evaluation by the Company of the creditworthiness of specific debtors and maturity dates of overdue receivables. If the creditworthiness of any of large debtors worsens, or actual losses as a result of failure to fulfil by debtors of their liabilities exceed the Company's estimates, the actual results can differ from the mentioned estimates. Accrual and recovery of allowance for doubtful debts can be significant.

Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less any estimated selling costs. The Company evaluates net realizable value of its inventories using various assumptions, including current selling prices.

Deferred tax assets recognition

Deferred tax assets, including those arising from unused tax losses are recognized to the extent that it is probable that they will be recovered, which is dependent on the availability of sufficient future taxable profit. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Going concern assumption

In the foreseeable future the Company will be affected by the global economic crisis, which strengthened by COVID-19 pandemic. As per Ukrainian government estimations, the economic crisis will cause GDP decrease by 5 percent for 2020. This, as well as the volatility of the observed hryvnia exchange rate and its devaluation of up to 30 hryvnias for one US dollar by the end of 2020, projected by the European Business Association, create some uncertainty that may affect future operations. The Company's management monitors the situation on a regular basis and believes that these factors will have a limited impact on the ability to recover the value of the Company's assets, its ability to maintain and repay its liabilities as they fall due.

The financial statements of the Company have been prepared on the basis of the going concern assumption, which means realization of assets and repayment of liabilities in the course of ordinary activities. Therefore, the financial statements do not contain any adjustments, which could have been necessary if the Company were not able to continue its activity in the future and if it were realizing its assets not in the course of its ordinary activities.

Revenue from sales of finished goods (merchandise, works and services)

Income from operating activities is recorded in accordance with NAS 15 "Income."

Revenue from sales of products (goods) is recognized in case of all the following conditions are met:

- the risks and benefits associated with the ownership of the products are transferred to the buyer;
- The Company does not continue to manage and control the sold product;
- the amount of income can be reliably determined;
- there is an assurance that transaction will increase the economic benefits of the Company and costs associated with this operation can be reliably identified.

Income from the services rendered are recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is evaluated by inspecting the work done.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

Income is not recognized if there is a significant uncertainty regarding the reimbursement of the considered amount, the costs involved or the possible return of the goods.

The net income from the sale of products (goods, works, services) is determined by deducting from the proceeds from the sale of products, goods, works, services provided discounts, the cost of returned goods previously sold, income belonging to the contractors (principals, etc.) under the contracts, taxes and fees.

The Company receives other income, namely, from the placement of temporarily free funds, interest on deposits, income from the sale of other current assets, income from the sale of foreign currency. Other income is recognized when it is certain that the Company will obtain the economic benefits from the transactions performed and the amount of income can be reliably determined. Income is recognized net of expenses incurred on its occurrence in the period in which the transaction was conducted.

Government grants

Government grants recognized as assets

Government grants recognized as assets are accounted for as future income, recognized on a systematic and rational basis over the useful life of the asset.

Government grants recognized as income

A government grant provided as compensation for costs or losses already incurred or for the provision of immediate financial support to the Company without any future related expenses is recognized as income in the period in which it was received.

Expenses

Expenses are accounted for in accordance with NAS 16 "Expenses." Expenses are recognized as expenses of a certain period simultaneously to recognizing the corresponding income. Expenses that cannot be directly linked to the income of the certain period are presented in expenses of the period in which they were incurred.

If it is expected to receive of economic benefits during a number of accounting periods, expenses are recognized on the basis of a systematic and rational allocation of the asset's value (for example, depreciation or amortization) over the relevant periods.

Property, plant and equipment and intangible assets

Classification of property, plant and equipment and intangible assets is carried out in accordance with NAS 7 "Fixed assets" and NAS 8 "Intangible assets." Property, plant and equipment and intangible assets are measured at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment increases by the amount of costs associated with the improvement of the item (modernization, modification, completion, upgrading, reconstruction, etc.), which leads to an increase in future economic benefits initially expected from the use of the item. When determining the useful life of property, plant and equipment, the following criteria apply:

- Expected use of the asset by the Company in view of its capacity or performance;
- Expected physical and moral wear;
- legal and other restrictions on the terms of use of property, plant and equipment.

When calculating the depreciation of property, plant and equipment, intangible assets the straight-line method is used in accordance with NAS 7 "Fixed Assets" and NAS 8 "Intangible Assets."

For the low-value non-current tangible assets, a depreciation is charged at 100% in the first month of the use of such items.

The useful life of the property, plant and equipment items and intangible assets is determined by a special commission established by the order of the Company in recognition of each specified item as an asset (when included in the balance sheet). The liquidation value of the property, plant and equipment items for fixed assets and intangible assets is determined individually.

The useful life of the groups of similar assets the Company uses to calculate the depreciation is the following:

	Years
Buildings and structures	20
Machinery and equipment	2-10
Transport vehicles	8
Instruments, fixtures, implements (furniture)	4-12
Other fixed assets	12
Intangible assets	1-10

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

(in thousands of UAH, unless otherwise specified)

The costs incurred to improve the assets (upgrading, modification, completion, reconstruction, etc.) which lead to an increase in future economic benefits expected from the use of property, plant and equipment relate to an increase in the cost of property, plant and equipment. The costs incurred for keeping a property, plant and equipment item in a working condition are recognized as expenses of the period.

Research costs are accounted for as expenses as incurred. Development costs are recognized as an intangible asset only if it is expected that such costs will bring future economic benefits. Other development costs are accounted for as expenses as incurred.

Construction in progress includes the cost of construction in progress (including installation equipment) which is planned to be used for internal needs of the Company, as well as advance payments for the purchase of the facilities of the construction in progress. Accounting for the costs of the construction in progress for internal needs of the Company, both in economic and contracting method, is carried out for items of construction in progress by the type of expenditure. Costs of the construction in progress, by economic method, are recorded in the balance sheet at their original cost in accordance with NAS 16 "Expenses."

An item of property, plant and equipment is withdrawn from assets (written off from the balance sheet) in case of its withdrawal as a result of a free transfer in accordance with the decision of the State Management of Affairs, or the write-off of property, plant and equipment with a zero residual value whose carrying value is up to 20 thousand UAH, according to the decision of the Head of the Company with the written consent of the State Management of Affairs.

Impairment of non-current assets

The Company assesses, at each reporting date, in accordance with NAS 28 "Impairment of assets" whether there is an indication that an asset may be impaired.

Assets subject to depreciation are assessed for impairment whenever any events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. The asset is impaired when the carrying value of the asset exceeds its recoverable amount. An impairment loss is recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is higher of two evaluations of an asset (or cash-generating unit): fair value less costs to sell and its value-in-use. For the purpose of impairment assessment, the assets are grouped into the smallest groups for which it is possible to allocate separately identifiable cash flows (cash-generating units).

Inventories

Recognition, valuation and accounting of inventories are carried out in accordance with NAS 9 "Inventories". Inventories of the Company are accounted for at the lower: initial cost or net realizable value. The initial cost consists of the cost of purchase, the cost of delivery, the costs incurred in the form of payment of the relevant customs duties, transportation costs and others having a direct relation to the purchase of inventories. The unit of inventory accounting is each particular item. The inventories consist of raw materials, spare parts, goods kept by the Company for the purpose of using them both in the main activity and for the purpose of subsequent sale.

In case of sale, transfer to production or other disposal of inventories, the following method of valuation is used:

- in case of the disposal of production stocks and goods - by the method of weighted average cost.
- in case of disposal of low-value rapidly wearing materials - by the specific identification of cost.

Financial instruments

The Company recognizes financial assets and liabilities, when it becomes a party to the contractual arrangement for a particular financial instrument.

Financial assets and liabilities are initially measured at fair value.

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet (Statement of financial position) if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Effective Interest Rate Method

Effective interest rate method is the method of calculating the amortization of a discount or premium, in which the amount of depreciation is defined as the difference between income at a fixed interest rate and the product of the effective interest rate and amortized cost at the beginning of the period for which interest is accrued.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

Financial assets

Financial assets include trade receivables, other receivables and cash and cash equivalents. Financial assets of the Company are non-derivative, fixed or identifiable payments. They are measured at amortized cost using the effective interest rate method, less any impairment losses.

Interest income is recognized using the effective interest method, except for short-term receivables, when interest recognition will not have a material effect.

Receivables

Receivables are recognized, measured and accounted for in accordance with NAS 10 "Accounts Receivable". Accounts receivable are carried at realizable value less the allowance for doubtful debts. To reflect the receivables at net cost, an analysis of the receivable on terms of its origin and the accrued provision of doubtful debts is carried out.

The amount of doubtful debts is calculated on the basis of the solvency of individual debtors on the basis of past experience.

Accounts receivable, if recognized as bad, are written off the balance sheet from the provision for doubtful debts.

Recognition of the provision for doubtful debts and write-off from the balance of receivables in excess of the provision for doubtful debts is made as part of other operating expenses.

Other receivables include debts that are not related to operating activities, settlements with the budget, value added tax, deferred expenses.

Cash and cash equivalents

Cash and cash equivalents include current bank accounts, cash on hand, cash in transit.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to cash flows from that asset cease to exist; or when it transfers the financial asset and all material risks and rewards of ownership of the asset to the other party. If the Company does not transfer and does not retain all material risks and rewards of ownership of the asset, and continues to control the transferred asset, it recognizes its share in that asset and the related liability for the amount that it may need to pay. If the Company retains all material risks and rewards of owning the transferred financial asset, it continues to recognize that financial asset and recognizes collateralized borrowing in the amount of the proceeds received.

Upon the total derecognition of a financial asset, the difference between the asset's carrying amount and the amount of consideration received and received and accumulated profit or loss recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as "other financial liabilities".

Other financial liabilities

Other financial liabilities, including trade payables, payroll payables and other current liabilities, are initially measured at fair value less transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities only if obligations of the Company are fulfilled, paid off or have expired. The difference between the carrying amount of a financial liability that is derecognized and the consideration paid and to be paid is recognized in profit or loss.

Liabilities

Liabilities are recognized, measured and accounted for in accordance with NAS 10 "Liabilities". A liability is recognized if its valuation can be reliably determined and there is a likelihood of outflow of future economic benefits as a result of its repayment. If the previously recognized liability is not repayable at the balance sheet date, its amount is included in the income of the reporting period. Current liabilities are reflected in the balance sheet at the maturity amount.

Other payables include payables that are not related to operating activities, including payables to the budget.

Provisions

The Company should create a provision for the vacations to employees of the Company, and other obligations that have arisen as a result of past events, and the repayment of which is likely to lead to a reduction in resources that embody economic benefits and the valuation of which can be determined reliably.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

(in thousands of UAH, unless otherwise specified)

Leasing

A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of an asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. When the Company is a lessor and all risks and rewards under an operating lease are not transferred to a lessee, a total amount of operating lease payments is recognised in the statement of comprehensive income using a proportionate recognition method over the lease term.

Equity

According to the Ukrainian legislation, business entities may distribute all profits calculated in accordance with NAS as dividends or transfer these profits to provisions according to their statutes. Further use of funds transferred to provisions may be legally limited; the amounts transferred to the provisions, as a rule, should be used for the purposes specified at the time of transfer. The distribution of profits is declared mainly from the amount of current profits or accumulated profits recorded in the financial statements in accordance with NAS, and not from the amounts transferred to the provisions.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the financial statements unless there is the possibility of an outflow of resources embodying economic benefits when liabilities is repaid and a reliable estimate of such liabilities can be made. The information on contingent liabilities is disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but they are disclosed when an inflow of economic benefits is possible. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

Taxation

Income tax is accounted for and presented in the financial statements in accordance with NAS 17 "Income Tax". Income tax expense includes current tax and deferred tax. Current and deferred tax is recognized in profit or loss, unless it relates to items recognized directly in equity. Deferred tax assets are recognized only when there is a likelihood that future taxable profits will be sufficient to realize deferred tax assets. For each balance sheet date, the Company reassesses unrecognized deferred tax assets, as well as the present value of deferred tax assets. The Company recognizes a previously unrecognized asset only in the part in respect of which there is a probability of its realization against future taxable profits. And vice versa. The Company reduces the carrying amount of a deferred tax asset in the event that the probability of full or partial disposal of such an asset in future profits disappears.

The income tax rate of the Company in 2019 was 18%. In subsequent reporting periods, the income tax rate for Ukrainian companies was fixed at 18%.

Events after reporting date

Events, which took place after the reporting date and prior to the date of approval of the financial statements to be issued which provide additional information regarding the financial statements of the Company, are reflected in the financial statements.

The events which took place from the end of the reporting period to the date of approval of the financial statements which certify about the conditions that arose after the reporting period and which do not influence the financial statements of the Company as of the reporting date, are disclosed in notes to the financial statements if these events are significant.

Transactions with related parties

Information about transactions with related parties is disclosed in accordance with NAS 23 "Disclosing of Information about Related Parties".

Reporting segments

Reporting operating or geographical segments include the separate parts of the Company's activity in the production and/or sale of a particular type (or group) of products (goods, works, services) in a particular economic environment that are different from others. The Company does not consider that operating or geographical segments take place in its activity which meet most of the criteria for determining them, set out in NAS 29 "Reporting segments".

Changes in accounting policy and accounting estimates

In 2019 there were no changes in accounting policies and accounting estimates that could have a significant effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

4. Intangible assets

As of 31 December 2019 and 2018 the Company engaged an independent valuer to assess the right to use a land plot with a total area of 9,7471 hectares for the presentation in the accounting: the amount of the revaluation of the right to use the land plot was UAH 1 816 730 thousand (2018: UAH 1 793 235 thousand).

5. Long-term receivables

As of 31 December 2019, long-term receivables consisted of long-term part of discounted receivable from the Ukrainian State Research and Project Institute "UkrNDIproektrestavratsiya", that should be repaid by 30 June 2023, in accordance with the schedule of payments under the Restructuring Agreement concluded on 21 November 2018. Accounts receivable are carried at amortized cost.

6. Receivables on settlements with the budget

The Company's receivables on settlements with the budget are presented as follows:

	31 December 2019	31 December 2018
VAT	9 061	10 798
Income tax	744	597
Local taxes	25	6
Personal income tax	24	10
Other obligatory payments	8	6
	9 862	11 417

7. Other current receivables

The Company's other current receivables are presented as follows:

	31 December 2019	31 December 2018
Settlements with other debtors	2 024	2 024
Arrangements with national suppliers	1 509	1 709
Payments of claims	551	551
Other settlements	158	86
Allowance for doubtful debts	(1 351)	-
	2 891	4 370

As of 31 December 2019, the debt of the Ukrainian State Research and Project Institute "UkrNDIproektrestavratsiya" to the Company in the amount of 1 500 thousand UAH is recognized as a part of current receivables, (2018: 1 500 thousand UAH), that should be repaid within one year after the reporting date.

8. Equity

The equity structure of the Company as of 31 December 2019 and 2018 was as follows:

Founder	31 December 2019		31 December 2018	
	Amount	Share, %	Amount	Share, %
State Management of Affairs	5 078	100	5 078	100

As of 31 December 2019, the valuation of the right to use the land plot in the amount of UAH 1 816 730 thousand (2018: UAH 1 793 235 thousand) is included in additional capital.

9. Other long-term liabilities

As of 31 December 2019 and 2018, other long-term liabilities include long-term accounts payable on loans received from the state enterprise "Finansuvannya infrastrukturykh proektiv" in the total amount of UAH 119 600 thousand, which was made to finance projects in the framework of tasks and measures provided by the State target program of preparation and holding in Ukraine of the final part of the European Football Championship 2012, approved by the resolution of the Cabinet of Ministers of Ukraine dated 14 April 2010 № 357.

In accordance with the terms of the concluded agreements, the debt should have been repaid in October 2017 in the amount of UAH 75 000 thousand, as well as in March 2018 in the amount of UAH 44 600 thousand.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

In accordance with additional agreements concluded on 17 August 2018, the parties agreed to postpone the repayment of debt until 2024 and 2025 years.

In accordance with the Order of the Cabinet of Ministers of Ukraine dated 19 February 2020 №200-r, it was established that the long-term liabilities of public sector entities that have debts on loans from the state enterprise "Financing of infrastructure projects " in the framework of the tasks and activities provided for in this target program, the procedure of discounting on the results of financial and economic activities starting from 2019 shall not be applied.

10. Other current liabilities

The Company's other current liabilities are presented as follows:

	31 December 2019	31 December 2018
Settlements with other creditors	4 695	5 850
VAT	1 867	1 807
Arrangements with national suppliers	114	181
	6 676	7 838

11. Revenue

Revenue is presented as follows:

	2019	2018
Holding exhibitions	5 221	4 785
Organization services	5 022	4 603
Sales of goods	393	433
Other	1	185
	10 637	10 006

12. Cost of sales

Cost of sales could be presented as follows:

	2019	2018
Servicing events	10 674	11 618
Labor costs	4 695	4 987
Taxes and duties	4 580	-
Building maintenance	4 502	4 338
Material cost	3 075	2 319
Other expenses	644	901
	28 170	24 163

13. Other operating income

Other operating income were presented as follows:

	2019	2018
Income from special purpose financing	47 293	42 291
Other income from operating activities	999	140
	48 292	42 431

14. Administrative expenses

Administrative expenses were presented as follows:

	2019	2018
Labor costs	28 915	23 270
Security	1 330	1 061
Maintenance of property, plant and equipment	1 250	1 122
Electricity	892	819
Taxes and mandatory payments/ land tax	674	1 770
Bank services	195	226
Other expenses	1 604	1 004
	34 860	29 272

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

15. Related Parties

For the purpose of these financial statements, the parties are considered to be related if one party has a possibility to control the other party or to affect it considerably in taking of financial and operational decisions. When considering the relationship with each possible related party, the focus is on the substance of the relationship, and not on its legal form.

Related parties may enter into transactions that are not always available to unrelated parties, and conditions and amounts of transactions between related parties may not match similar terms and amounts of transactions that occur between unrelated parties.

The Company belongs to the system of enterprises, institutions and organizations that support the activities of the President of Ukraine, the National Security and Defense Council of Ukraine, the Presidential Office and other consulting, advisory and auxiliary bodies and services created by the President of Ukraine.

The party that has final control over the Company is the State of Ukraine in the person of the State Management of Affairs of Ukraine. The Company's related parties are:

- the owner of the Company which is represented by the Government of Ukraine and its various authorities;
- state enterprises, joint ventures and affiliated companies with the Government of Ukraine;
- key management personnel and their family members.

The senior management received the following compensation for the years ended 31 December, which is included in the salary and related charges:

	2019	2018
Short-term employee benefits	3 663	3 306

The Company had the following outstanding balances and transactions with its related parties:

	31 December 2019	31 December 2018
Other long-term liabilities	119 600	119 600
Other current liabilities	4 250	5 500
Cash in state banks	3 133	704
Sales of services	-	251

16. Actual and contingent liabilities

Taxation

The Management believes that the Company has properly met all tax liabilities.

Legal issues

In the normal course of business, the Company is a party to litigation and certain claims are made against it. In the opinion of the Company's management, the final liability, if any, for such cases or claims, will have no significant effect on the financial position or results of the future activities of the Company. As of 31 December 2019 and 2018, no substantive claims were made to the Company.

Social liabilities

The Company makes contributions to compulsory and voluntary social programs. Social facilities of the Company, as well as regional social programs, bring public benefit in a broad sense and, as a rule, are not limited to the employees of the Company.

The Company transferred some types of social activities and some social facilities to local authorities; however, the management suggests that the Company should continue financing these social programs in the near future.

Insurance

Areas of use of funds received from the State Budget of Ukraine (which are the main source of operating activities of the Company) are limited to the purpose of the relevant items of expenditure. The financial plan for 2019 does not provide for separate items of expenditure on property insurance programs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

(in thousands of UAH, unless otherwise specified)

Compulsory insurance of civil liability of the Company to third parties is carried out at the expense of its own sources of income; expenses for social insurance of employees - by paying mandatory contributions to state social insurance funds through the relevant items of budget funding and own sources.

Environmental issues

Ukraine continues to develop its legislation on environmental protection. The Company periodically assesses its obligations under the environmental protection legislation. Potential obligations that may arise as a result of changes in current legal acts, as a result of civil litigations or legislative changes, cannot be estimated, but their impact may be significant. In the current situation with the enforcement of existing legislation, the Management believes that the Company has met all state requirements for environmental issues. Therefore, the Company does not have any significant environmental liability.

17. Fair value of financial instruments

The Company's financial instruments include cash and cash equivalents, trade and other receivables, long-term receivables, other long-term liabilities, trade and other payables. Financial assets and liabilities, such as trade receivables and payables, are the result of operations of the Company. The following table shows the carrying amount of financial assets and liabilities as of 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Financial assets		
Long-term receivables	3 189	5 332
Cash and cash equivalents	3 207	786
Trade and other current receivables	2 973	2 806
	9 369	8 924
Financial liabilities		
Other long-term liabilities	119 600	119 600
Trade payables and other current liabilities	4 729	5 998
	124 329	125 598

Management believes that carrying amount of cash and cash equivalents, trade and other receivables, long-term receivables, other long-term liabilities, trade and other payables approximates their fair value.

Fair value of assets and liabilities is determined as follows:

- Fair value of assets and liabilities in respect of which active market quotations for the identical assets and liabilities exist and if they are available to the Company is determined based on the mentioned quotations.
- Fair value of assets and liabilities not traded on active markets is determined based on the different valuation techniques mainly concerning market or income approach, namely discounted cash flow method. These techniques are in first place based on observable input data, if available. In case such observable input data are not available the Company uses internal data specific to the Company.

18. Financial instruments and risk management**Capital management**

The Company manages its capital to ensure its going concern in the future and simultaneously maximize the profit of shareholders by optimizing the ratio of borrowed and own funds. The management of the Company regularly reviews its capital structure. Based on the results of such a review, the Company takes measures to balance the overall capital structure by distributing profits, as well as obtaining new loans or repaying existing debts.

Credit risk

The main financial assets of the Company are cash and accounts receivable.

The maximum level of credit risk of the Company as a whole is reflected in the book value of financial assets, which is given in the statement of financial position. The effect of possible offsets of assets and liabilities on reducing potential credit risk is insignificant. The average credit period during 2019 was 8 days (2018: 9 days).

The policy of the Credit Risk Management Company is aimed at conducting business transactions with counterparties that have a positive reputation and credit history. Cash funds are valued with minimal credit risk, since they are located in government institutions.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

Liquidity risk

This is the risk that the Company will not be able to repay its liabilities as they mature. The liquidity position of the Company is carefully controlled and managed. The Company applies the process of detailed budgeting and cash flow forecasts to ensure that adequate means are available to meet its payment obligations. Most of the Company's expenses are fixed and composed from payroll expenses, utilities and taxes.

The table below shows the financial liabilities of the Company in terms of expected maturities. The table is based on the undiscounted cash flows of financial liabilities based on the assumption that the Company will repay the debt as soon as it is due. The table includes both the principal amount of the debt and interest as of 31 December 2019 and 2018.

	Up to 3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2019					
Trade payables	34	-	-	-	34
Other current liabilities	2 426	4 250	-	-	6 676
Other long-term liabilities	-	-	2 000	117 600	119 600
	2 460	4 250	2 000	117 600	126 310

	Up to 3 months	3-12 months	1-5 years	More than 5 years	Total
31 December 2018					
Trade payables	148	-	-	-	148
Other current liabilities	2 338	5 500	-	-	7 838
Other long-term liabilities	-	-	-	119 600	119 600
	2 486	5 500	-	119 600	127 586

Interest risk

Ensuring current activities and cash receipts of the Company significantly depend on funding from the State Budget of Ukraine; accordingly, the policy on interest rate risk management is to refrain from using credit funds that provide for the payment of interest at fixed or floating rates. The Company also does not use derivative financial instruments to manage interest rate risk. Receipt of cash loans without payment of interest from other business entities - state-owned enterprises, is in agreement with the owner - the State Administration under the President of Ukraine. As of 31 December 2019 and 2018, the Company had no financial liabilities with a floating or fixed interest rate.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in relation to the national currency. Exposure to foreign currency risk relates to monetary assets and liabilities denominated in foreign currencies.

The Company operates in the Ukrainian market and generates cash in Ukrainian hryvnias (functional currency) through the sale of goods and services. Operating expenses are mainly incurred in the functional currency.

The Company runs a currency risk for purchases and balances on bank accounts. The currency that causes this risk is, basically, the EUR and US dollar. According to Ukrainian the legislation, the Company ability to hedge the currency risk is limited, therefore, the Company does not hedge its currency risk.

The table below shows the concentration of currency risk as of 31 December 2019 and 2018:

	EUR	USD
31 December 2019		
Financial assets	206	81
31 December 2018		
Financial assets	85	168

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019
(in thousands of UAH, unless otherwise specified)

The following is an analysis of the sensitivity of the profit / (loss) before tax of the Company to the probable change in the exchange rate, with a constant value of all other variables.

		Increase (decrease) in the exchange rate, %	Impact on the profit / loss before tax
	2019		
EUR		10	21
EUR		(10)	(21)
USD		10	8
USD		(10)	(8)
	2018		
EUR		10	9
EUR		(10)	(9)
USD		10	17
USD		(10)	(17)

19. Events after the reporting date

Since 31 December 2019, the global and Ukrainian economies have been significantly impacted by the outbreak of coronavirus disease (COVID-19). Almost all countries in the world were affected by the pandemic, numerous cases of COVID-19 in Ukraine have been confirmed. In order to prevent the spread of the disease, the authorities in Ukraine have declared a state of emergency throughout Ukraine. Among the measures implemented, the restrictive impact on the Company's operating processes has some restrictions on the movement of people. In addition to the Company's operational processes, the pandemic had a significant adverse effect on the operating conditions of most of its suppliers and consumers both in Ukraine and abroad.

As of the date of this financial statement, the third phase of quarantine mitigation has already started. The work of sports halls and fitness centers, educational institutions, passenger bus and railway connections between the regions is resumed.

A number of measures were taken to organize the work process during the quarantine period. In order to reduce the risk of COVID-19 infection for most employees, a remote form of work was introduced. Some workers were sent to idle. All meetings were held via the Internet to reduce the number of real contacts. For employees who provided the Company's activities while working in the office, a working space was organized at the required distance, mandatory wearing of masks in the room, measurement of the temperature at the entrance and the necessary disinfectants were introduced.

The impact of the pandemic on the Company's future operations is difficult to assess at this time due to the high degree of uncertainty surrounding the spread of the pandemic in the world and in Ukraine and the impact of the pandemic on the global and Ukrainian economies.