

MINISTRY FOR COMMUNITIES AND TERRITORIES
DEVELOPMENT OF UKRAINE

REPORT ON COMPLIANCE WITH THE PROCEDURES FOR USING OFFICIAL
ACCOUNTS FOR DONATIONS IN SUPPORT OF UKRAINE UNITED24

FOR THE PERIOD FROM MARCH 10, 2022 TO JUNE 30, 2023

Together with the Report on Reasonable Assurance
Engagement

REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

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REPORT ON REASONABLE ASSURANCE ENGAGEMENT

To the Ministry For Communities And Territories Development Of Ukraine

Introduction

We performed the reasonable assurance engagement in respect of the accompanying the Report on Compliance with the Procedures for Using Official Accounts for Donations in Support of Ukraine UNITED24 (Report on Compliance with the Procedures) of Ministry For Communities And Territories Development Of Ukraine (further – Ministry of Infrastructure), for the period from March 10, 2022 to June 30, 2023 to the extent that they relate to the use of funds received on official accounts for donations in support of Ukraine UNITED24.

We performed the reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (hereinafter – ISAE 3000).

We have complied with the requirements of the International Standard on Quality Control 1 and accordingly maintained a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Management’s responsibility for the preparation of the Report on Compliance with the Procedures

The management of the Ministry For Communities And Territories Development Of Ukraine is responsible for the preparation and fair presentation of the Report on Compliance with the Procedures prepared in accordance with the Procedure for using accounts for attracting voluntary contributions (charitable donations) in support of Ukraine UNITED24, approved by the Resolution of the CMU No. 472 dated April 19, 2022 and the Procedure for using funds from the account “Destroyed Property and Infrastructure Restoration Fund” approved by the Resolution of the CMU No. 879 dated July 29, 2022 and for such internal control system as management determines is necessary to ensure the preparation of the Report on Compliance with the Procedures that is free from material misstatement, whether due to fraud or error to the extent that they relate to the use of funds received on official accounts for donations in support of Ukraine UNITED24.

Auditor’s responsibility for the reasonable assurance engagement

Our responsibility is to obtain reasonable assurance to form a conclusion as to the existence of facts that would give us reason to believe that the Report on Compliance with the Procedures for the period from March 10, 2022 to June 30, 2023 complies with the requirements of the Procedure for using accounts for attracting voluntary contributions (charitable donations) in support of Ukraine UNITED24, approved by the Resolution of the Cabinet of Ministers of Ukraine dated April 19, 2022 No. 472 and the Procedure for using funds from the account “Destroyed Property and Infrastructure Restoration Fund” approved by the Resolution of the CMU dated July 29, 2022 No. 879.

ISAE 3000 requires that we plan and perform our audit to obtain reasonable assurance about whether the information provided by the Ministry For Communities And Territories Development Of Ukraine is free from material non-compliance with the audit criteria. Our procedures were planned and performed with a sufficient assurance that the information and documents provided for the conclusion are sufficient and are free from material errors and misstatements. During the audit, research, inquiries, recalculations, and inspections were made to obtain evidence to substantiate the amounts and information disclosed in the Report on Compliance with the Procedures.

Because the listed above procedures were aimed to provide a reasonable assurance in respect of the Report on Compliance with the Procedures, this report is limited only to the conclusion on the compliance with the requirements of the Procedure for using accounts for attracting voluntary contributions (charitable donations) in support of Ukraine UNITED24, approved by the Resolution of the CMU dated April 19, 2022 No. 472 and Procedure for using funds from the account "Destroyed Property and Infrastructure Restoration Fund" approved by the Resolution of the CMU dated July 29, 2022 No. 879 of the Report on Compliance with the Procedures of the Ministry For Communities And Territories Development Of Ukraine does not relate to the expression of a reasonable assurance in respect of UNITED24 as a whole.

We believe that we have obtained sufficient and appropriate evidence to express our conclusion.

Conclusion

In our opinion, the Report on Compliance with the Procedures for the period from March 10, 2022 to June 30, 2023 was prepared in compliance with the requirements, in all material aspects, of the Procedure for using accounts for attracting voluntary contributions (charitable donations) in support of Ukraine UNITED24, approved by the Resolution of the CMU dated 19 квітня 2022 р. № 472 April 19, 2022 No. 472 and the Procedure for using funds from the account "Destroyed Property and Infrastructure Restoration Fund" approved by the Resolution of the CMU dated July 29, 2022 No. 879.

The reasonable assurance engagement was performed under the supervision of the Practitioner, Nikolaenko O.M.

Practitioner



O. M. Nikolaenko

Registration number with the Register of auditors and audit entities: 101534

01 October 2024

Kyiv

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Registration number with the Register of auditors and audit entities: 2868. Legal address: 4, Andriia Fabra Street, Dnipro, 49070. Tel. 044-393-26-87.

BDO LLC is included in the Register of auditors and audit entities in section 4 "Audit entities entitled to perform statutory audits of financial statements of public interest entities". Link to the Register: <https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audit-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-susplynyj-interes/>

REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

	For the period from March 10, 2022 to June 30, 2023	Total
Opening balance with NBU accounts:		
UAH	-	
EUR	-	
GBP	-	
USD	-	
Total opening available cash	-	
Receipts:		
Receipts to the official accounts of the Ministry For Communities And Territories Development Of Ukraine for donations in support of Ukraine UNITED24	651,709,423	651,709,423
Total receipts	651,709,423	651,709,423
Payments:		
Payments to to restore destroyed property and infrastructure	-	-
Total payments	-	-
Effect of changes in exchange rates on cash balance	26,521,750	26,521,750
Closing balance with NBU accounts:		
UAH	477,153,909	
EUR	25,546,383	
GBP	897,041	
USD	174,633,840	
	678,231,174	

Signed on behalf of the Ministry For Communities And Territories Development Of Ukraine:

Deputy of the Minister For Communities,
Territories And Infrastructure Development
Of Ukraine

N.V. Kozlovska

Notes on pages 2-8 are an integral part of the Report on Compliance with the Procedures.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

1. PLATFORM UNITED24

Russia's invasion of Ukraine on February 24, 2022 had devastating economic, social and humanitarian consequences. Ukraine's public finances remain under severe pressure, and external donor financial assistance covers the financing needs only partially.

President of Ukraine Volodymyr Zelenskyy initiated the creation of the global project United24, which aims to unite people from around the world in their desire to help Ukraine.

The first component of United24 is the eponymous fundraising platform to support Ukraine. The main goal is to increase the volume of donations to our country and ensure the efficiency and transparency of their distribution.

According to the President, the United24 project allows everyone to join the support of Ukraine and provide real assistance to Ukrainian citizens affected by this unjust war.

The United24 aims to unite the whole world in support of Ukraine – from governments to international foundations, from industrial giants to fashion brands, from movie and music stars to public and political figures, as well as citizens worldwide.

The United24 fundraising platform aims to become the main window for collecting charitable donations to support Ukraine. The assistance will be distributed in three areas: defense and demining, humanitarian and medical aid, and the reconstruction of Ukraine.

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2. ECONOMIC ENVIRONMENT

2022 was the most difficult year for Ukraine since its independence. The full-scale war unleashed by Russia has had an unprecedented impact on the lives of every Ukrainian, business, and the entire country's economy.

On February 24, the President of Ukraine, based on the proposal of the National Security and Defense Council of Ukraine, introduced martial law in accordance with the Constitution of Ukraine and the Law of Ukraine "On the Legal Regime of Martial Law", which was extended as of the date of approval of these special purpose financial statements.

The business environment in Ukraine remains challenging as the war drags on and Russia continues to use terrorist tactics. Large-scale shelling of populated areas and the destruction of infrastructure increase risks to the economy and financial stability.

In 2022, the Ukrainian Defense Forces fully liberated Mykolaiv region, almost all Kharkiv and a large part of Kherson regions, including the regional center, the only one captured since February 24. Fierce fighting continues in Donetsk and Luhansk regions. The enemy was forced to announce a partial mobilization to hold back the Ukrainian army's advance. Russia is more actively conducting terrorist attacks on the critical infrastructure, including energy facilities. Russia continues its attempts to use energy and food shortages in certain markets as a weapon. However, these actions only strengthen the international coalition of states against the aggressor.

The ongoing military attack has led to significant destruction of infrastructure, displacement of large numbers of people, and disruption of economic activity in Ukraine. Until August 2022, all the Black Sea ports were not operating, which completely suspended export and import operations through seaports. Airports, many roads and bridges were closed, damaged or destroyed, further disrupting transportation and logistics. Goods to and from Ukraine were transported by rail and trucks, and with the involvement of European transportation companies, which enabled most companies in Ukraine to resume and establish transportation and logistics of products from May-June 2022. On July 22, 2022, in Istanbul, representatives of Ukraine signed an agreement with Turkey and the UN to unblock ports and resume grain exports from August 1, 2022, which were blocked in the Black Sea ports due to the war. Russia also signed a mirror agreement with Turkey and the UN. During the period of the grain agreement from August 1, 2022, to July 16, 2023, 32.9 million tons of agricultural products were shipped from the Ukrainian ports. On July 17, 2023, Russia officially informed Turkey and the UN Secretariat about the termination of the Grain Agreement in respect of the export of domestic agricultural products through Ukrainian seaports.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

At the end of April 2022, Ukraine faced a significant fuel shortage due to the need to create new logistics routes for supplies from Europe; the problem was resolved in May-June 2022. In October-December 2022, there were massive power outages for households and businesses due to significant damage to power grids as a result of Russian shelling, which caused troubles related to water and heat supply. The government introduced several emergency measures to address these issues and stabilize the impact on the country's economy. Since February 2023, the situation in Ukraine's energy system has improved and stabilized.

As a result of Russia's armed invasion and the outbreak of a full-scale war, Ukraine's economy has suffered serious consequences. In 2022, Ukraine's GDP fell by 30.3% (in 2021, real GDP grew by 3.2%). Starting from February 2022, the inflation rate increased year-on-year and reached 26.6% at the end of the year (2021: 10.0%) due to disruption of supply chains and production processes, uneven demand, increased business costs, rising global prices, limited supply of certain goods, and physical destruction of assets of a number of companies caused by Russia's military attack on Ukraine. The national currency devalued by 34% against the US dollar and 26% against the euro at official exchange rates at the end of 2022 compared to the end of 2021.

Since the full-scale war began, the National Bank of Ukraine (NBU) has introduced a number of temporary measures, such as limiting international payments in foreign currency and fixing the official exchange rate for major currencies (on July 21, 2022, the NBU adjusted the official hryvnia/US dollar exchange rate by 25% to UAH 36.5686/USD. USD). Despite the increase in the official US dollar exchange rate, the disparity between the official and market exchange rates remains. Since the beginning of the war, the NBU has kept the key policy rate at 10% due to the introduction of mandatory administrative restrictions, but later, in June 2022, it raised it to 25%. In 2023, the NBU further increased the required reserve requirements for banks. The NBU will return to the inflation targeting regime with a floating exchange rate to the extent the economy and financial system return to normal.

In doing so, thanks to assistance from partners, the NBU's international reserves exceeded the pre-war level and reached USD 28.5 billion at the end of 2022. In August 2022, the Ministry of Finance of Ukraine postponed payments on sovereign Eurobonds for two years and amended the terms of government derivatives, reducing funding needs. In general, the Ukrainian government continues to service its external debt obligations, and the banking system continues to operate and remain stable.

The adopted state budget of Ukraine for 2023 envisages that budget revenues will be twice lower than expenditures, and the deficit will be about 21% of GDP (or USD 35.5 billion). It is expected that the budget deficit will be financed by financial assistance from foreign partners in the form of grants and preferential long-term interest-free loans.

The scale and protracted war in Ukraine further increase risks to the global economy. War-fueled global inflation and corresponding monetary policy tightening are slowing economies and threatening Ukraine's key partners with recession. However, financial, military and humanitarian aid to Ukraine is only increasing, as is the sanctions pressure on Russia.

The war between Ukraine and Russia continues, resulting in significant destruction of property and assets in Ukraine and other material consequences. The consequences of the war are evolving daily and their impact in the longer term is difficult to determine. The future impact on the Ukrainian economy depends on the outcome of the full-scale war, the successful implementation of new reforms by the Ukrainian government, the country's recovery and transformation strategy with a view to EU membership, and cooperation with international funds.

In preparing this Report on Compliance with the Procedures, we factored in the known and estimable factors, the results of the impact of these factors on the Report on Compliance with the Procedures in the reporting period.

Management of the Ministry of Infrastructure cannot predict all developments that could affect the entire economy and what effect they might have on the Report on Compliance with the Procedures and the Ministry of Infrastructure in the future. Management of the Ministry of Infrastructure believes it is taking all the measures necessary to support the sustainability of the business. However, further unstable conditions caused by the war may have a negative impact on the financial capacity of the Government of Ukraine, the nature and consequences of which cannot be currently determined. As of the date of authorization for issue of this Report on Compliance with the Procedures, there is a material uncertainty related to going concern due to the aforesaid.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

3. PROCEDURE FOR USING ACCOUNTS AND EXPENDITURE OF FUNDS

PROCEDURE FOR USING ACCOUNTS TO ATTRACT VOLUNTARY CONTRIBUTIONS (CHARITABLE DONATIONS) IN SUPPORT OF UKRAINE UNITED24

The Cabinet of Ministers of Ukraine adopted Resolution No. 472 dated April 19, 2022 “Some Issues of Using Funds Received on Accounts for Attracting Voluntary Contributions (Charitable Donations) in Support of Ukraine”, whereby it approved the Procedure for Using Accounts for Attracting Voluntary Contributions (Charitable Donations) in Support of Ukraine UNITED24.

This Procedure regulated the use of accounts opened with the NBU to attract voluntary contributions (charitable donations) in support of Ukraine (UNITED24), which receive funds from individuals and legal entities under private law and/or public law through the Unified State Web Portal for Collecting Donations in Support of Ukraine (United24) to finance measures related to repelling armed aggression against Ukraine and eliminating its consequences, national security and defense, restoring, supporting, and developing Ukraine, providing humanitarian assistance, and providing information on the use of funds from these accounts.

Accounts for raising funds

Accounts for attracting voluntary contributions (charitable donations) in support of Ukraine UNITED24 are a special account opened with the National Bank to raise funds to support the Armed Forces, an account to finance humanitarian demining, an account “Destroyed Property and Infrastructure Restoration Fund”, an account to meet the needs of education and science and an account to meet the needs of health care (hereinafter referred to as UNITED24 accounts).

Use of the account

The funds received on UNITED24 accounts are used by the Ministry of Infrastructure - from the account “Destroyed Property and Infrastructure Restoration Fund”.

The Resolution of the Cabinet of Ministers of Ukraine No. 879 “Some Matters of Financing the Restoration of Destroyed Property and Infrastructure” dated July 29, 2022, approved the Procedure for the use of funds from the account “Destroyed Property and Infrastructure Restoration Fund” (further – Procedure).

Requests for distribution and/or transfer of funds

Requests for the distribution of the Fund's funds and/or transfer of the Fund's funds to another key administrator of the state budget (further – the distribution and/or transfer of the Fund's funds) shall be submitted by regional, Kyiv city state administrations (regional, Kyiv city military administrations), central executive authorities, JSC “Ukrzaliznytsia” (further – the requesters).

Commission for the distribution and/or transfer of funds

An interagency commission is established to review requests and draft proposals for the distribution and/or transfer of funds from the account “Destroyed Property and Infrastructure Restoration Fund” of the Ministry of Infrastructure and the Ministry of Digital Transformation.

The members of the interagency commission are to be approved at a meeting of the interagency commission upon the proposal of the co-chairs.

The interagency commission is headed by two co-chairs, who are the Vice Prime Minister for Restoration of Ukraine – Minister of Development of Communities, Territories and Infrastructure and the Vice Prime Minister of Ukraine for Innovation, Education, Science and Technology – Minister of Digital Transformation.

The interagency commission includes the representatives of the Ministry of Infrastructure and the Ministry of Digital Transformation.

The secretary of the interagency commission is elected at a meeting of the interagency commission.

Representatives of other state authorities, representatives of non-governmental organizations, independent information and analytical centers and public organizations (upon consent) are involved in activities of the interagency commission.

The regulations of the interagency commission shall be approved at the meeting by open vote by that of a clear majority of the members of the interagency commission present at the meeting.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

The interagency commission shall hold an open meeting, in particular, remotely via videoconference in compliance with the requirements of this Procedure. A meeting of the interagency commission shall be deemed valid if more than half of the members of the interagency commission participate in it. Information on the date, time, place and agenda of the interagency commission meeting shall be published three days prior to the meeting on the official websites of the Ministry of Infrastructure and the Ministry of Digital Transformation. The decision of the interagency commission shall be deemed adopted if a majority of the members of the interagency commission present at the meeting vote for it.

The decision of the interagency commission shall be drawn up in a minutes posted on the official websites of the Ministry of Infrastructure and the Ministry of Digital Transformation and shall contain information, in particular, on the results of the personal voting of the members of the interagency commission.

Recipients of funds

The Fund's funds can be received by:

- central executive authorities;
- regional and Kyiv city military administrations or regional and Kyiv city state administrations;
- local self-government bodies;
- state-owned enterprises, institutions and organizations, as well as business entities, 100 percent of the shares (stakes) of which are owned by the state or another business entity, 100 percent of the shares (stakes) of which are owned by the state, the subject of which, in accordance with the constituent documents, corresponds to the direction determined by paragraph 4 of this Procedure, and which are managed by the Ministry of Infrastructure, the Ministry of Economy, the Ministry of Digital Transformation or the Ministry of Education and Science; JSC "Ukrzaliznytsia".

Uses of funds

The Fund's fund is used to restore destroyed property and infrastructure:

- 1) **railway transport** – main public railway lines and technological facilities located on them, transmission devices directly used to ensure the transportation process, including railway stations, passenger station complexes, public railways tracks, traction substations, contact network and other technological power supply devices, signaling systems, centralization, blocking and train traffic control;
- 2) **road sector** – public roads; streets and roads of cities and other settlements; production facilities of the road sector (except for movable property);
- 3) **air transport** – airfields and airfield facilities;
- 4) **maritime transport** – port infrastructure facilities (except for movable property);
- 5) **inland water transport** (except for movable property);
- 6) **tourist facilities** – hotels, other facilities intended for the provision of accommodation services, catering establishments, resort facilities;
- 7) **digital communication networks**;
- 8) **social facilities** – buildings of educational and research institutions, buildings of hospitals and healthcare facilities, gyms, sports facilities, office buildings;
- 9) **housing and utilities facilities** – facilities (including engineering networks) for water, heat, electricity and gas supply, water disposal, outdoor lighting, rainwater drainage system;
- 10) **residential objects and construction objects** – residential buildings (individual (manor) residential buildings, two- and multi-storey residential buildings, dormitories) and/or their parts (apartments, other residential premises), common property of multi-apartment buildings, other residential premises in buildings; construction projects that are or will become independent real estate objects (apartments, other residential premises in a building) after commissioning; summer cottages, garden houses, outbuildings and structures on private summer cottages and garden plots, garages owned by individuals.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

Targeted fundraising for a specific object of destroyed property and infrastructure

If the Ministry of Digital Transformation or the Ministry of Infrastructure decide to announce a targeted fundraising for a specific object of destroyed property and infrastructure or a list of such objects in one of the specific areas provided for in the Procedure (further – significant objects), such fundraising and expenditure of the said funds shall be carried out considering the specifics set forth in the Procedure.

Lists of significant objects are approved by an order of the relevant ministry. Information on significant objects is open and published on the official website of the relevant ministry and the Unified State Web Portal for collecting donations in support of Ukraine “United24”.

A donor that intends to allocate funding for a significant object in full, informs the Ministry of Infrastructure or the Ministry of Digital Transformation of such a decision by a letter (further – the official notification).

The Ministry of Infrastructure or the Ministry of Digital Transformation initiates a meeting of the interagency commission and invites the donor or its representative to attend within three business days after the official notification is received. The interagency commission considers the official notification on the allocation of funding for a significant object for its relevance, expediency and prevention of double funding. Based on the results of the review, the Ministry of Infrastructure or the Ministry of Digital Transformation notifies the donor in writing of the decision on the feasibility of allocating funding for a major facility.

The donor transfers funds to the account of the “Destroyed Property and Infrastructure Restoration Fund” within 21 calendar days after receiving notification of the feasibility of such funding.

The proposal to finance a significant facility shall be included in the draft act of the Cabinet of Ministers of Ukraine on the allocation and/or transfer of the Fund's funds during the preparation in accordance with the Procedure.

Recognizing transactions for transferring and using funds

Transactions on the transfer and use of the Fund's funds, the reflection of such transactions in the accounting of the state budget fulfillment and the drafting of reports on the receipt and use of the Fund's funds are subject to the procedure established by law.

The procurement of goods, works and services shall be carried out in compliance with the procurement legislation, including under martial law.

The preparation and submission of financial and budgetary reports on the use of budgetary funds, as well as control over their targeted and efficient spending, shall be carried out in accordance with the procedure established by law.

Reflection of information on received (created) current and non-current assets in the primary and accounting records, as well as opening and closing of accounts, registration and accounting of budgetary obligations in the Treasury bodies and operations related to the use of budgetary funds are carried out in accordance with the procedure established by law.

During the period from March 10, 2022 to June 30, 2023 no payments were made from the account “Destroyed Property and Infrastructure Restoration Fund”, this account was used exclusively for fundraising.

4. BASIC ACCOUNTING POLICIES

BASIS OF PREPARATION

The Report on Compliance with the Procedures was prepared using the cash basis of accounting. The accounting policy was applied consistently throughout the period of use of funds.

REPORTING PERIOD

This report covers the period from March 10, 2022 to June 30, 2023.

REPORTING CURRENCY

The reporting currency is the Ukrainian Hryvnia.

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

BANK ACCOUNTS

The account of “Destroyed Property and Infrastructure Restoration Fund” is opened with the National Bank of Ukraine for crediting voluntary contributions (charitable donations) from individuals and legal entities of private law and/or public law in national and foreign currency.

RECOGNITION OF RECEIPTS AND PAYMENTS

Receipts are recognized when funds are credited to the account of “Destroyed Property and Infrastructure Restoration Fund”.

Payments are recognized when funds are debited from the account of “Destroyed Property and Infrastructure Restoration Fund”.

FOREIGN CURRENCY TRANSACTIONS

The Report on Compliance with the Procedure is presented in Ukrainian hryvnias. Transactions in other currencies are translated into Ukrainian hryvnias at the official exchange rate of the hryvnia against foreign currencies set by the National Bank of Ukraine on the date of the relevant transactions.

CONVERSION OF BALANCES INTO THE REPORTING CURRENCY

Cash balances denominated in foreign currencies are translated into Ukrainian hryvnia at the official exchange rate of the National Bank of Ukraine at the reporting date.

5. EVENTS AFTER THE REPORTING PERIOD

SITUATION IN UKRAINE

Ukraine is still engaged in the full-scale war with russia and the legal regime of martial law is in effect.

Going forward, the key risk is that the war will drag on even if the fighting is localized. This will require the economy to operate in extreme conditions for a long time, threaten to deepen its decline, and increase the need for assistance from partners. The impact of the war on the global economy will also increase.

International support for Ukraine is growing thanks to the resistance of the Armed Forces, effective diplomacy, and extensive coverage in the global media. The main mechanisms of support are arms supplies, financial and humanitarian aid, and sanctions against russia.

Given the uncertainty associated with the war, as well as significant state budget expenditures, maintaining exchange rate stability amid plans for currency liberalization will require ensuring that hryvnia savings are highly attractive, which is important for ensuring moderate inflation and exchange rate stability over the forecast horizon. The key policy rate was kept at 25%, with the key policy rate set at 16% effective October 27, 2023.

In recent months, inflation has been declining rapidly, primarily due to a large supply of newly harvested agricultural products, including vegetables and fruits, sugar beets, grains, and oilseeds. The moratorium on raising several housing and utility tariffs further limited the growth of administratively regulated prices. The stable situation on the FX market restrained the rise in prices for goods with a significant import component (household appliances, electronics, etc.). In doing so, other fundamental factors continue to put pressure on inflation. The gradual economic recovery is accompanied by a revival in demand for consumer goods and services, and the shortage of skilled workers, in particular because of migration, is prompting companies to raise wages at a relatively high rate. Furthermore, the pressure on business costs remains significant due to the consequences of the war – destruction, complicated logistics, higher electricity prices for non-household consumers, etc. However, the NBU raised its inflation forecast for 2024 from 8.5% to 9.8%. The acceleration of price growth next year will be driven by this year’s low comparison base for food prices, continued pressure on business costs due to revised assumptions about security risks, higher wages, and accelerated growth in administered prices.

The key risk remains a longer duration and intensity of the war. The main assumption of the forecast is that security risks will decrease significantly from the beginning of 2024. A longer duration of hostilities could slow economic recovery and worsen inflation and exchange rate expectations. This will create additional challenges for the economy and finance.

The situation continues to evolve, and its consequences are currently uncertain. Management is unable to predict all changes that could have an impact on the entire economy and what effect they could have on the financial position and future operating result of the Project. Management continues to monitor the

NOTES TO THE REPORT ON COMPLIANCE WITH THE PROCEDURES

For the period from March 10, 2022 to June 30, 2023

In Ukrainian hryvnyas

possible impact of these developments on the Project and will take all possible measures to mitigate any effects.

TRANSFER OF FUNDS TO KYIV REGIONAL STATE ADMINISTRATION

After the reporting period, funds were transferred from the account “Destroyed Property and Infrastructure Restoration Fund”, opened with the National Bank of Ukraine, KYIV REGIONAL STATE ADMINISTRATION (for Kyiv regional military administration) to restore damaged property and infrastructure.

Basis	CMU Resolution No. 20-p dated January 10, 2023 (Amendments approved by Resolution 553-p dated June 24, 2023)	CMU Resolution No. 21-p dated January 12, 2024	CMU Resolution No. 283-p dated March 29, 2024
Amount, UAH	638 935 438	13 000 000	115 936 639
Budget funds administrator	Kyiv regional state administration	Kyiv regional state administration	Kyiv regional state administration
Lower level administrator of budget funds	Department of regional development of Kyiv regional state administration	Department of regional development of Kyiv regional state administration	Department of regional development of Kyiv regional state administration
Goal	restoration of damaged multi-apartment residential buildings	restoration of a specific object of destroyed property and infrastructure (Central City Stadium “Champion” in Irpin city)	- restoration of damaged multi-apartment residential buildings, - restoration of a specific object of destroyed property and infrastructure (Central City Stadium “Champion” in Irpin city)