



**Ukrainian Red Cross Society
Non-Governmental Organization**

Financial Statement
for the Year ended 31 December 2022

UKRAINIAN RED CROSS SOCIETY

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INDEPENDENT AUDITOR'S REPORT

To Management of Non-Governmental Organization "Ukrainian Red Cross Society":

Opinion

We have audited the statement of contributions and expenditures of Non-Governmental Organization "Ukrainian Red Cross Society" (the "Organization") for the year ended 31 December 2022, and notes to the statement of contributions and expenditures, including a summary of significant accounting policies (collectively – "the financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, contributions and expenditures and outstanding cash balance as at and for the year ended 31 December 2022 in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Basis of Accounting" ("IPSAS – Cash Basis").

Basis for Opinion

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 Statement* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statement in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the Note 3 to the financial statement, which describes the basis of accounting. The financial statement is prepared by the Organization to comply with IPSAS – Cash Basis. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Operating Environment

We draw your attention to Note 2 and Note 4 to the financial statement, which indicate that since 24 February 2022 the impact of the ongoing military actions in Ukraine, the magnitude of further developments, the timing of cessation of those actions and final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Organization. Management's plans concerning this impact are also discussed in Note 4 to the financial statement. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statement, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 this financial statement.

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 statement, 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 Organization'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 Organization'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 statement 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, 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.

LLC "Debitte & Touche LLC"



UKRAINIAN RED CROSS SOCIETY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

Management of Non-Governmental Organization "Ukrainian Red Cross Society" (the "Organization", "URCS") is responsible for the preparation of the financial statement which comprises the Statement of Contributions and Expenditures of the Organization for the year ended 31 December 2022, and notes to the Statement of Contributions and Expenditures, including a summary of significant accounting policies and other explanatory information as at 31 December 2022, in accordance with International Public Sector Accounting Standards "Financial Reporting Under the Cash Basis of Accounting" ("IPSAS – Cash Basis").

In preparing the financial statement, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures and supplementary schedules when compliance with the requirements of IPSAS – Cash Basis is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the financial statement; and
- Making an assessment of the Organization's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Organization;
- Maintaining adequate accounting records that are sufficient to show and explain the Organization's transactions and disclose with reasonable accuracy at any time the Organization's balance of funds, and which enable them to ensure that the financial statement complies with IPSAS – Cash Basis;
- Maintaining accounting records in compliance with the Ukrainian legislation and National Accounting Provisions (Standards), as well as with IPSAS – Cash Basis;
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization; and
- Preventing and detecting fraud and other irregularities.

The financial statement for the year ended 31 December 2022 was authorized for issue by the Organization's management on 7 June 2024.

On behalf of the Organization's management:



Maksym Dotsenko,
Executive Director



Viktoriia Zubova,
Chief Accountant



UKRAINIAN RED CROSS SOCIETY

STATEMENT OF CONTRIBUTIONS AND EXPENDITURES OF UKRAINIAN RED CROSS SOCIETY FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)


	Notes	2022	2021
Outstanding cash balance as at 1 January	7	17,274	17,929
Contributions			
International donor programs	5.1	3,290,295	165,079
Local donor programs	5.2	32,104	1,099
Government programs	5.3	1,007	1,246
Charity, donations, and membership fees	5.4	2,061,502	1,585
Other contributions	5.5	6,184	947
Total contributions:		5,391,092	169,956
Expenditures			
Financial aid to the affected people	6.1	(502,581)	(7,119)
Humanitarian aid to the affected people	6.2	(644,284)	(17,213)
Taxes on financial aid to the affected people	6.3	(54)	(1,052)
Materials and equipment for project implementation	6.4	(662,082)	(26,665)
Funding regional units to implement the projects aimed at the support of people	6.5	(816,641)	(36,373)
Payroll and remuneration for the services rendered by contractors within the project implementation	6.6	(134,493)	(46,582)
Membership fee to International Federation of Red Cross	6.7	-	(314)
Consulting services for project implementation	6.8	(12,956)	(2,151)
Educational activities to people	6.9	(12,791)	(9,945)
Audit services	6.10	(1,711)	(3,582)
Trainings/seminars/partner meetings and their monitoring	6.11	(18,943)	(8,464)
Administrative expenses to support URCS activities	6.12	(45,512)	(7,888)
Investments	6.13	-	(2,730)
Capital investments	6.14	(590,975)	-
Transportation of humanitarian goods	6.15	(19,647)	-
Temporary structures and restoration/construction works for the affected people	6.16	(172,937)	-
Total expenditures:		(3,635,607)	(170,078)
Effect of exchange rate changes		269,358	(533)
Outstanding cash balance as at 31 December		2,042,117	17,274

The financial statement for the year ended 31 December 2022 was authorized for issue by the Organization's management on 7 June 2024.

On behalf of the Organization's management:



Maksym Dotsenko,
Executive Director


Viktoriia Zubova,
Chief Accountant

The accompanying notes on pages from 5 to 24 form an integral part of this Statement of Contributions and Expenditures of the Organization.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

1. GENERAL INFORMATION

Non-Governmental Organization “Ukrainian Red Cross Society” (hereinafter, the “Organization”, “Society”, “Ukrainian Red Cross Society” or the “URCS”) is a charitable foundation established back in 1918 and operating in accordance with the provisions of the Law of Ukraine “On Charity and Charitable Organizations”. The registered office of the Organization is located at: 30 Ye. Chykalenka (former Pushkinska) Street, Kyiv, 01004, Ukraine.

The average number of the Organization’s employees was 164 persons for the year ended 31 December 2022 (2021: 63 persons).

The principal objective of the Organization’s activities is to prevent and alleviate human suffering during armed conflicts, natural disasters, catastrophes, epidemics, and other emergency situations by assisting government authorities in providing medical and humanitarian aid during armed conflicts, in peacetime, participating in the provision of international aid in the event of disasters and emergency situations, providing medical and social assistance to the most socially vulnerable people.

To achieve this objective in the manner prescribed by applicable law, the Organization:

1. Provides assistance to the wounded, sick, and other persons who suffered during armed conflicts in accordance with the Geneva Conventions dated 12 August 1949 and Additional Protocols thereto dated 8 June 1977 and 8 December 2005.
2. Assists people in the period of natural disasters, catastrophes, epidemics, and other emergency situations.
3. Arranges for the search of the wounded and dead as a result of armed conflicts, natural disasters, catastrophes, and other emergency situations. Searches for missing persons, establishes burial sites, provides assistance in this to the state institutions, searches for graves of defenders of the Motherland who died and were buried outside of Ukraine.
4. Assists in establishing ties between family members separated due to armed conflicts or emergency situations, promotes family reunification.
5. Provides social services to people, including poorly protected ones, and persons in difficult life circumstances.
6. Assists the government authorities, the medical service of the Armed Forces of Ukraine, other legitimate military formations of Ukraine, and the health authorities of Ukraine in the medical care of wounded and sick servicemen and civilians during armed conflicts in accordance with the Geneva Conventions dated 12 August 1949 ratified by Ukraine on 8 July 1954, and three Additional Protocols thereto dated 8 June 1977 (I, II) and 8 December 2005 (III) ratified by Ukraine on 18 August 1989 (I, II) and 22 October 2009 (III).
7. Creates and arranges for the activities of Rapid Response Units as a component of the Organization’s system for providing assistance to people during armed conflicts, natural disasters, emergency situations, etc.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

8. Organizes the activities of rehabilitation centers, hospices, shelters of the Organization, including the care of people (persons) with disabilities and single (conditionally single) elderly people (persons), etc. Organizes the work of the Patronage Service.
9. Organizes the activities of Training Centers for first aid, and also teaches people first aid skills.
10. Develops, popularizes, spreads knowledge in the area of environmental protection, humanitarian education, and other socially important educational areas among people.

The activities of the Organization are financed by the funds of donors allocated for project activities and donations of individuals and legal entities.

As discussed above in the Statement of Contributions and Expenditures, the total amount of contributions for 2022 was UAH 5,391,092 thousand (2021: UAH 169,956 thousand). In 2022, the main donors were represented by International Federation of Red Cross – 19.2%, Swiss Red Cross (together with contributions to the platform of IRAISER) – 14.2%, International Committee of Red Cross – 7.7%, Austrian Red Cross – 6.7%, German Red Cross – 6.4%, Danish Red Cross – 4.1%, which, in aggregate, made up 58.3% of the total amount of the funds received. The remaining donors made up 41.7%.

Programs in which the Organization participates and which are implemented by the Organization are performed in Ukraine.

During the year ended 31 December 2022, the Organization operated the following main charity programs:

Sl. No.	Donor	Program's name	Period of the Program's implementation
1	Charities aid foundation America (CAF America)	Mobile psychological assistance, Mykolaiv	December 2022
2	Charities aid foundation America (CAF America)	Building in Zakarpattia	December 2022
3	Austrian Red Cross	Support in integration of climate changes (CLIMATE)	December 2020–July 2022 (frozen)
4	Austrian Red Cross	Strengthening civil protection through volunteering (Strength Vol)	February 2020–January 2022
5	Austrian Red Cross	KEA Kherson Emergency Assistance, 2022	November 2022–February 2024
6	Austrian Red Cross	Mykolaiv Mobile Medical Assistance (MYMO)	August 2022–November 2023
7	Austrian Red Cross	PASS, Providing access to basic humanitarian services and supporting sustainable healthcare solutions in Donbas	December 2021–September 2023
8	Austrian Red Cross	Partner Agreement PIA – Providing immediate assistance to the conflict affected population in Ukraine	March 2022–September 2023
9	Austrian Red Cross	Housing Assessment and Assistance Program for Internally Displaced Persons (ISAAP)	April 2022–December 2026
10	Austrian Red Cross	ShelterPLUS	September 2022–December 2023
11	Austrian Red Cross	Partnership Agreement for the project “Strengthening Resilience for Winter Conditions and Covering Basic Needs” (IAS Winterization and CVA)	September 2022–February 2024



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Sl. No.	Donor	Program's name	Period of the Program's implementation
12	Austrian Red Cross	Improving access to health and social services and providing winterization support (IAS Health & Heat)	October 2022–March 2024
13	Austrian Red Cross	Providing health and care services to conflict affected people in Western Ukraine (ProHealth)	August 2022–December 2023
14	Danish Red Cross	Improving capabilities to cope with problems and resilience of conflict affected households in Eastern Ukraine	May 2022–March 2023
15	Danish Red Cross	Addressing social vulnerabilities in Ukraine through localization and youth engagement MOFA	January–December 2022
16	Danish Red Cross	Building Disaster Risk Resilience in Eastern Ukraine	June 2021–March 2022
17	Danish Red Cross	Preparing and responding to escalating conflict	January–September 2022
18	Danish Red Cross	Promotion of the “rules of war” by young people in Denmark and Ukraine	February–November 2022
19	Danish Red Cross	Reducing Vulnerability to Emergency Risks in Eastern Ukraine	May 2019–January 2022
20	Danish Red Cross	Preparing for the escalation of the conflict in Ukraine	February 2022–May 2022
21	Danish Red Cross	Responding to Conflicts and Building Ukraine's Resilience	May 2022–December 2023
22	Estonian Red Cross	Escalation of the conflict	April–December 2022
23	Estonian Red Cross	Escalation of the conflict 2023	September 2022–2023
24	Spanish Red Cross	Preparing for the winter	November 2022–July 2023
25	Italian Red Cross	Strengthening community-based health and first aid (CBHFA) in Ukraine	September 2021–September 2022
26	Canadian Red Cross	Support to URCS mobile health units (MHU)	June 2022–December 2023
27	Canadian Red Cross	Winter Preparation Strategy	December 2022–December 2023
28	Korean Red Cross	Preparing for the winter	November 2022–November 2023
29	Korean Red Cross	Cash Support for URCS Procurement of the Emergency Response Vehicles in Response to the Ukraine Crisis in 2022	June–December 2022
30	Luxembourg Red Cross	URCS Emergency Project for Conflict-Affected People in Ukraine	August–December 2022
31	Luxembourg Red Cross	“Health for All” in Donetska region	February 2021–2023
32	Luxembourg Red Cross	Supporting the most vulnerable people affected by the conflict with NFIs, cash and pharma-medical support in Ukraine	May–December 2022
33	Luxembourg Red Cross	Preparing for the winter in Donetska region	February–December 2022
34	International Federation of Red Cross	Ukrainian RC – CBF 2022 Grant	October 2022–August 2023
35	International Federation of Red Cross	Resource mobilization through National Society Investment Alliance (NSIA) Accelerator Funded	May 2022–May 2023
36	International Federation of Red Cross	URCS vaccination roll against COVID-19 in Ukraine	February–May 2022
37	International Federation of Red Cross	Ukraine Crisis Master Budget	July 2022–December 2023
38	International Federation of Red Cross	The crisis in Ukraine – URCS Volunteering Development	May 2022–May 2023
39	International Federation of Red Cross	Crisis in Ukraine, Uzhhorod	July 2022–December 2023



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Sl. No.	Donor	Program's name	Period of the Program's implementation
40	International Federation of Red Cross	Crisis in Ukraine, Lviv	July 2022–December 2023
41	International Federation of Red Cross	Preparing for conflict escalation DREF	February 2022–April 2023
42	International Federation of Red Cross	COVID-19 Response, Border Guard Service of Ukraine	February–December 2022
43	International Federation of Red Cross	Deployment of COVID-19 Vaccination Actions	January–March 2022
44	Mission of International Committee of Red Cross in Ukraine	URCS – ICRS Partnership Framework Agreement	2021–2023
45	German Red Cross	Emergency health care, social support and development of URCS organizations	March–May 2022
46	German Red Cross	Health care, social support and development of URCS organizations	May–December 2022
47	Norwegian Red Cross	Improving access to quality primary health, home-based care and first aid for people affected by the war in Ukraine, and strengthening URCS emergency response capacities	April–December 2022
48	French Red Cross	Preparing for the winter	December 2022–March 2023
49	Swedish Red Cross	Preparing for the winter	December 2022–March 2023
50	Swiss Red Cross	Responding to the crisis in Ukraine	April 2022–March 2023
51	Japanese Red Cross	Mobile Health Unit (MHU) in Ivano-Frankivska region	November 2022–December 2023
52	Bayer AG	Medical protection (Bayer)	June–October 2022
53	NGO "Representative Office of Save the Children International in Ukraine"	Save the Children International Ukraine	March 2022–2023
54	FE "COCA-COLA BEVERAGES UKRAINE LIMITED"	Preparing for the winter, Coca-Cola Foundation	December 2022–2023
55	COCA-COLA SERVICES NV S.A (Belgium)	Preparing for the winter, COCA-COLA SERVICES NV S.A.	December 2022–2023
56	HUMANE SOCIETY INTERNATIONAL-EUROPE	National Pet Care Program	October 2022–October 2023

2. OPERATING ENVIRONMENT

In February 2022, the Russian Federation recognized the temporarily occupied territories in Luhanska and Donetska regions as independent republics and started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. On 4 October 2022, the President of the Russian Federation signed laws on annexation of parts of Luhanska, Donetska, Zaporizka, and Khersonska regions that had been previously ratified by the country's Parliament.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

The ongoing military attack has led to significant damage to infrastructure, dislocation of the population, and disruption to economic activities in Ukraine. By August 2022, all ports in the Black Sea area stopped working, which resulted in complete suspension of exports and imports made via seaports. Airports, many roads, and bridges were closed, damaged, or destroyed, further crippling transportation and logistics. Transportation of goods inbound and outbound was performed by railway and trucks, as well with involvement of European carriers, which made it possible for most companies in Ukraine, effective from May-June 2022, to restore and arrange transportation and logistics of their products.

On 22 July 2022, in Istanbul, representatives of Ukraine signed an agreement with Turkey and the United Nations on unblocking of ports and resumption of grain exports effective from 1 August 2022, which had been blocked in the Black Sea ports due to the war. The Russian Federation also signed a “mirror agreement” with Turkey and the United Nations. During 2022, the parties agreed on the extension of the “grain agreement”, which made it possible to export more than 33 million tons of agricultural produce from the ports of Ukraine from the beginning of the agreement until 17 July 2023. Effective from 17 July 2023, Russia has officially withdrawn from the “grain agreement”, which creates difficulties for the exports of agricultural produce. In August 2023, a temporary sea corridor was established, through which 12.8 million tons of goods were exported during 2023. In 2023, a total of 56.3 million tons of cargos were exported through Ukrainian ports (2022: 47.8 million tons).

In late April 2022, Ukraine also encountered a significant lack of fuel due to the need to create new logistics supply routes from Europe; the problem was resolved during May-June 2022. In October–December 2022, Ukraine witnessed massive power outages for the population and businesses due to a significant damage to power grids caused by missile attacks and shelling from the Russian Federation, which also caused problems with water and heat supply. The Government introduced a range of emergency measures to resolve those challenges and stabilize the economy. Effective from February 2023, the situation in the energy system of Ukraine improved and stabilized.

In June 2023, the Russian troops blew up the dam of the Kakhovka Hydropower Station, which led to draining of the water reservoir. This caused negative environmental, humanitarian, and economic consequences for Khersonska and neighboring regions, in particular, for agriculture in the region.

As a result of the military invasion of the Russian Federation and the start of the full-scale war, the economy of Ukraine suffered serious consequences. In 2022, the drop in Ukraine’s GDP reached 30.3% (in 2021, real GDP grew by 3.2%). However, in 2023, Ukraine’s GDP began to recover and grew by 5%. Starting from February 2022, the inflation rate increased in annual terms and reached 26.6% by the end of the year (2021: 10.0%) because of the disruption of supply chains and production processes, uneven demand, increased business costs, increased global prices, limited supply of certain commodities, as well as physical destruction of assets of a range of companies caused by the Russian attack on Ukraine. In 2023, the inflation rate sharply slowed down to 5.1% in annual terms. The national currency devalued by 34% against USD and 26% against EUR comparing to the official exchange rates at the end of 2021. During 2023, the national currency devalued by 4% against USD and by 8% against EUR comparing to the official exchange rates at the end of 2022.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

From the onset of the full-scale war, the NBU has introduced a range of temporary protective measures, such as restriction of cross-border payments in foreign currency, fixing the official exchange rate for major currencies (on 21 July 2022, the NBU adjusted the official UAH/USD exchange rate by 25% to UAH 36.5686 per USD 1). In October 2023, the NBU introduced a regime of managed flexibility of the exchange rate, which provides for daily exchange rate fluctuations within narrow limits in both directions depending on market conditions. From the beginning of the war, the NBU fixed the discount rate at the level of 10% due to the forced administrative restrictions, however, later, in June, it increased it to the level of 25%. In July 2023, the NBU decreased the rate to 22%, in September 2023, to 20%, effective from 15 December 2023 – to 15%, and from 26 April 2024 – to 13.5%. In 2023, the NBU additionally tightened the requirements to obligatory reserves of banks.

At the same time, thanks to the assistance from partners, the NBU's international reserves as at the end of 2022 exceeded the pre-war level and reached USD 28.5 billion and, as at 31 December 2023, reached USD 40.5 billion. In August 2022, the Ministry of Finance of Ukraine postponed payments on sovereign Eurobonds for two years and amended the terms and conditions for issuing government derivatives by reducing financing needs. In general, the Ukrainian Government continues to service external debt obligations, and the banking system remains operational and maintains stability.

In May 2024, the NBU significantly eased currency restrictions. All currency restrictions have been cancelled on imports of works and services; entities are allowed to repatriate dividends abroad that have been calculated based on their performance for the period starting from 1 January 2024; it is allowed to transfer funds abroad for settlements under lease/rental agreements without any additional restrictions; terms and conditions on interest payment and repayment of some types of foreign loans have been simplified; milder restrictions have been introduced on the transfer of foreign currency from representative offices to their parents, etc.

The approved state budget of Ukraine for 2024 presupposes that the budget deficit amounts to about 20% of GDP (or USD 42 billion) (2023: 30% of GDP). It is expected that the budget deficit will be financed through financial assistance from foreign partners in the form of grants and preferential long-term interest-free loans.

The Ukrainian Government received a significant international support, financing, and donations from international organizations, along with individual countries, and charities to support financial stability, social related payments, and military needs. For the period from late January 2022 to the end of 2023, the volumes of declared international financial aid amounted to more than EUR 141 billion, the volumes of military assistance exceeded EUR 98 billion, and humanitarian – EUR 15 billion.

On 15 March 2022, the Verkhovna Rada of Ukraine introduced some changes to the tax legislation and adopted the Law of Ukraine No. 2120-IX "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period". On 30 June 2023, the Verkhovna Rada of Ukraine adopted the Draft Bill No. 8401 which amended the Tax Code of Ukraine (Note 8).

In March 2022, the system operator of the Ukrainian electricity network, together with European operators, completed integration of the Ukrainian and European energy systems.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

On 23 June 2022, the European Council summit in Brussels decided to provide Ukraine with the candidate status to the European Union. Ukraine is going to become a participant of the EU programs and initiatives opened for candidates.

On 27 September 2022, the Cabinet of Ministers approved resolutions that would allow Ukraine to join the Common Transit Convention and Convention on the Simplification of Formalities in Trade in Goods (the so-called “customs free regime”) from 1 October 2022. The resolutions open access to an unlimited range of Ukrainian businesses to authorizations and simplifications of joint transit procedures similar to those available to economic operators in the 35 member states of the Convention.

During 2022, the Government introduced zero quotas on exports of gold and silver (except for bank metals), buckwheat, table salt, fuel oil, and fuel wood. Exports of chicken meat, cattle, cattle meat, eggs, mineral fertilizers, rye, oats, millet, and sugar are subject to licensing. Exports of gas are prohibited.

The war between Ukraine and the Russian Federation is ongoing, resulting in a significant destruction of property and assets in Ukraine and other serious consequences. The consequences of the war are changing day to day, and the long-term implications are unclear. Further impact on the Ukrainian economy depends upon the way the Russian military invasion in Ukraine is resolved and upon the success of the Ukrainian Government in realization of new reforms, recovery strategy after the invasion is stopped, and the transformation of the state to acquire the European Union membership, as well as cooperation with the international funds.

3. SIGNIFICANT ACCOUNTING POLICIES FOR RECOGNITION AND MEASUREMENT OF CONTRIBUTIONS AND EXPENDITURES

Basis of preparation

The Statement of Contributions and Expenditures of the Organization has been prepared in accordance with the International Public Sector Accounting Standards “Financial Reporting Under the Cash Basis of Accounting” (“IPSAS – Cash Basis”), which is a comprehensive basis of accounting, other than National Accounting Provisions (Standards) of Ukraine and International Financial Reporting Standards (“IFRS”). On this basis, revenue is recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred.

This financial statement is a separate financial statement of the Organization. The Organization does not prepare a consolidated financial statement.

Functional and presentation currency

The functional and presentation currency of the Organization is Ukrainian Hryvnia (“UAH”)



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2022

(in Ukrainian Hryvnias and in thousands)

Foreign currencies transactions

Transactions in currencies other than functional currency are initially recorded in UAH at the official rates of exchange set on the dates of the transactions by the National Bank of Ukraine. Cash balances denominated in foreign currencies are translated into UAH at the exchange rates established by the NBU at the end of the reporting period. All foreign exchange gains/(losses) are recognized in the Statement of Contributions and Expenditures.

The relevant exchange rates set by the NBU in respect of the major currencies used in preparing the financial report were as follows:

	31 December 2022	Average exchange rate for 2022	31 December 2021	Average exchange rate for 2021
UAH/USD	36.5686	32.3683	27.2782	27.2862
UAH/EUR	38.9510	33.9953	30.9226	32.3090

Cash

Cash includes cash with banks held at current accounts. Cash is divided into the cash with temporarily restricted and unrestricted use. Donors' contributions made without stipulations are reported as unrestricted cash. Contributions received with a donor's stipulation which restricts their use are reported as temporarily restricted cash.

Unrestricted cash is the cash with unlimited use, as well as the funds intended for general and administrative purposes.

Income taxes

Red Cross is not a payer of income tax. Income (profits) of the Organization are used exclusively to finance the costs of the Organization, the implementation of the purpose (goals, objectives) and activities defined by its constituent documents.

4. GOING CONCERN

This financial statement has been prepared on the assumption that the Organization will be able to continue as a going concern and that it will continue in operation for the foreseeable future.

However, as noted in Note 2, on 24 February 2022, the Russian Forces began a military invasion of Ukraine, which led to a full-scale war throughout Ukraine. The operating environment remains risky and with a high level of uncertainty. Therefore, the going concern assumption is to be carefully assessed by management to ensure the Organization has sufficient funding for its activities.



UKRAINIAN RED CROSS SOCIETY

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FOR THE YEAR ENDED 31 DECEMBER 2022

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Management believes that preparation of this financial statement on a going concern basis is appropriate due to the following factors and actions taken in response to those matters:

- The Organization's assets have not been damaged as a result of the war and not located in the occupied territories.
- During the year ended 31 December 2022 and during the period from 31 December 2022 to the date of issuance of this financial statement, a wide range of new projects with donors of the Organization were launched. Due to the fact that one of the Organization's principal objectives of the activities is to protect human life, prevent human suffering during armed conflicts, the amount of contributions from donors increased significantly during 2022 and 2023 after the beginning of the war in Ukraine, which indicates that the Organization will be able to perform its operations in the foreseeable future.
- A significant increase in contributions from donors mostly relates to the programs aimed at overcoming the consequences of the war, providing assistance to the population affected by the war, and improving medical and social infrastructure in Ukraine.
- The Organization had cash and cash equivalents balance as at 31 December 2022 and subsequently at the sufficient level to perform its operations.
- During the period subsequent to the reporting date and before the authorization of this financial statement, the Organization continues its operations and manages to meet main goals of the Organization's activities in 2022–2024.

Considering the reasons above, management believes that preparation of this financial statement on a going concern basis is appropriate, and the Organization has adequate resources to realize its assets, discharge its liabilities, and continue in operational existence for the foreseeable future.

5. CONTRIBUTIONS

Contributions comprise cash obtained from donors, population, legal entities, and individuals and returns of unused cash under the programs to donors. For the years ended 31 December 2022 and 2021, the Organization obtained grants from the following donors, population, legal entities, and individuals:

5.1 International donor programs	2022	2021
International Federation of Red Cross	1,032,610	54,590
International Committee of Red Cross	416,179	46,243
Austrian Red Cross	359,775	4,152
German Red Cross	344,133	630
Danish Red Cross	220,728	47,548
Swiss Red Cross	216,433	1,320
Swedish Red Cross	123,905	-
Luxembourg Red Cross	75,307	7,025
Spanish Red Cross	75,258	-
Charities Aid Foundation America (CAF America)	74,969	-
Korean Red Cross	67,394	-



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

5.1 International donor programs	2022	2021
Canadian Red Cross	58,042	-
Estonian Red Cross	50,742	-
Irish Red Cross	33,328	-
Norwegian Red Cross	27,178	-
Italian Red Cross	24,710	943
Humane Society International Europe	17,751	-
Georgian Red Cross	16,386	-
Japanese Red Cross	12,596	-
French Red Cross	11,621	-
Vietnamese Red Cross	7,301	-
Singapore Red Cross	5,824	-
Greek Red Cross	5,623	-
Czech Red Cross	3,613	-
Latvian Red Cross	3,301	-
Chinese Red Cross	2,575	-
Thai Red Cross	1,589	-
Albanian Red Cross	947	-
Thailand Red Cross	321	-
Kosovo Red Cross	97	-
Kazakhstan Red Cross	59	-
Embassy of Australia	-	1,116
European Union	-	1,026
Center for Civilians in Conflict (CIVIC), USA	-	486
Total:	3,290,295	165,079
5.2 Local donor programs	2022	2021
PU "Pharmacy Professional Association of Ukraine" (PU "PPAU")	21,772	-
NGO "Representative Office of Save the Children International in Ukraine"	10,332	-
LLC "Procter and Gamble Ukraine"	-	840
NGO "Automobile Federation of Ukraine"	-	150
NGO "Initiative Center for Promotion of Activity and Development of Public Initiative" (ICPADPI "UNITY")	-	109
Total:	32,104	1,099
5.3 Government programs (under programs)	2022	2021
Organization and regulation of the activities of institutions and individual measures in the health care system with the support of the Ministry of Health of Ukraine	1,007	1,246
Total:	1,007	1,246



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

5.4 Charity, donations, and membership fees	2022	2021
IRAISER Platform – Swiss Red Cross	551,543	-
PHILLIPS AUCTIONEERS LIMITED	221,383	-
JSC “Raiffeisen Bank Aval”	165,854	-
LLC “Samsung Electronics Ukraine Company”	146,275	-
“Coca-cola services nv s.a” (Belgium)	131,240	-
UK ONLINE GIVING FOUNDATION	119,590	-
SHELL INTERNATIONAL BV	58,510	-
ASSOCIATION OF UKRAINIANS IN GREAT BRITAIN LIMITED	45,152	-
US-ALEXANDRIA, VA 22314	19,418	-
NAVASARD LIMITED	31,329	-
LLC “First Studio “Development”	30,000	-
11 BIT STUDIOS SPOLKA AKCYJNA	24,864	-
International charity donations (population)	19,991	-
Coca-Cola Foundation	18,284	-
Stadt Freiburg, Germany	18,254	-
ECM B.V.	16,584	-
Bayer AG	15,345	-
PARK WEST GALLERIES	14,744	-
LLC “Hit Games Company”	14,627	-
CAPITAL COM SV INVESTMENTS LIMITED	14,627	-
PHILIP MORRIS PRODUCTS SA	14,627	-
PRODUCT MADNESS (UK) LIMITED	14,627	-
Population	14,944	782
TOTALENERGIES MARKETING SERVICES	13,238	-
Ministry of Foreign Affairs of Denmark	11,925	-
LLC “EPAM Systems”	10,000	-
BACARDI LIMITED	8,776	-
SHIMANO EUROPE B.V.	7,452	-
FONDATION ROI BAUDOUIIN	7,416	-
BEN EM DANG CO TA	7,301	-
LDKPI (Indonesia)	7,050	-
HUNTER WEB SERVICES, INC.	5,850	-
MOON ACTIVE LTD	5,547	-
STICHTING FLOW TRADERS FOUNDATION	5,506	-
PAYJOY INC	5,182	-
LOKALISE, INC.	5,119	-
JSC “Credit Agricole Bank”	5,000	-
LLC “Work International”	5,000	-
Other	229,328	803
Total:	2,061,502	1,585

Expenditures incurred at the cost of contributions from charity, donations, and membership fees are presented in the items of use of funds as expenditures incurred at the cost of contributions from donors and the population for statutory activities.



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

5.5 Other contributions (by substance)	2022	2021
Interest received	5,387	327
Pregnancy and childbirth allowance (FSS)	316	198
Dividends	285	28
Administering project engagement	66	-
Rental of premises	60	45
Sick leave payment	39	14
Insurance reimbursement	31	79
Targeted financing	-	172
First aid development	-	41
Return of prior period funds	-	41
Other	-	2
Total:	6,184	947

6. EXPENDITURES

During the year ended 31 December 2022, the Organization incurred the following expenditures. Expenditures are presented by donors, unless otherwise specified.

6.1 Financial aid to the affected people	2022	2021
International Federation of Red Cross	(259,553)	(4,753)
Contributions from various donors and population on statutory activities	(161,513)	(10)
International Committee of Red Cross	(49,475)	-
Austrian Red Cross	(32,040)	(2,322)
Swiss Red Cross	-	(34)
Total:	(502,581)	(7,119)
6.2 Humanitarian aid to the affected people	2022	2021
Contributions from various donors and population on statutory activities	(464,397)	-
German Red Cross	(129,276)	(3,120)
Estonian Red Cross	(29,975)	-
NGO "Representative Office of Save the Children International in Ukraine"	(13,948)	-
Austrian Red Cross	(5,940)	-
International Federation of Red Cross	(534)	(12,707)
Danish Red Cross	(214)	(1,379)
Other	-	(7)
Total:	(644,284)	(17,213)
6.3 Taxes on financial aid to the affected people	2022	2021
International Federation of Red Cross	(54)	(938)
Austrian Red Cross	-	(114)
Total:	(54)	(1,052)



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

6.4 Materials and equipment for project implementation	2022	2021
Contributions from various donors and population on statutory activities	(276,989)	-
Austrian Red Cross	(78,456)	(234)
German Red Cross	(70,206)	-
Danish Red Cross	(59,252)	(13,670)
International Committee of Red Cross	(58,918)	(7,363)
International Federation of Red Cross	(47,028)	(2,193)
Korean Red Cross	(26,908)	-
PU "Pharmacy Professional Association of Ukraine" (PU "PPAU")	(21,772)	-
Spanish Red Cross	(14,383)	-
Swiss Red Cross	(3,035)	(259)
Norwegian Red Cross	(2,746)	-
Luxembourg Red Cross	(1,505)	(389)
Italian Red Cross	(834)	-
NGO "Representative Office of Save the Children International in Ukraine"	(48)	-
Turkish Red Crescent	(2)	(338)
Embassy of Australia	-	(1,118)
LLC "Procter and Gamble Ukraine"	-	(784)
International Renaissance Foundation	-	(165)
NGO "Garage Gang", LLC "Henkel Ukraine"	-	(111)
State program supported by the Ministry of Health of Ukraine	-	(39)
European Union	-	(2)
Total:	(662,082)	(26,665)
6.5 Funding regional units to implement the projects aimed at the support of people	2022	2021
International Committee of Red Cross	(200,133)	(9,470)
Contributions from various donors and population on statutory activities	(115,627)	-
International Federation of Red Cross	(108,553)	(7,791)
Danish Red Cross	(99,581)	(9,242)
Swiss Red Cross	(94,890)	(422)
German Red Cross	(86,821)	(217)
Austrian Red Cross	(43,455)	(2,293)
Luxembourg Red Cross	(28,584)	(5,983)
Norwegian Red Cross	(21,827)	-
Italian Red Cross	(8,014)	-
Canadian Red Cross	(5,547)	-
Charities aid foundation America (CAF America)	(1,839)	-
NGO "Representative Office of Save the Children International in Ukraine"	(873)	-
Japanese Red Cross	(632)	-
Estonian Red Cross	(265)	-
European Union	-	(862)
Other	-	(93)
Total:	(816,641)	(36,373)



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

6.6 Payroll and remuneration for the services rendered by contractors within the project implementation	2022	2021
International Committee of Red Cross	(54,267)	(16,404)
International Federation of Red Cross	(34,984)	(12,488)
Danish Red Cross	(20,123)	(12,970)
Contributions from various donors and population on statutory activities	(11,511)	(638)
Austrian Red Cross	(4,117)	(1,574)
Swiss Red Cross	(3,532)	(403)
Luxembourg Red Cross	(2,869)	(690)
State program with support of the Ministry of Health of Ukraine	(967)	(893)
German Red Cross	(962)	-
Social insurance fund for temporary disability	(355)	(211)
Center for Civilians in Conflict (CIVIC), USA	(268)	-
Italian Red Cross	(231)	-
Norwegian Red Cross	(260)	-
Canadian Red Cross	(47)	-
European Union	-	(149)
NGO "Automobile Federation of Ukraine"	-	(134)
International Renaissance Foundation	-	(15)
NGO "Garage Gang", LLC "Henkel Ukraine"	-	(13)
Total:	(134,493)	(46,582)

Expenditures from this category consist of payroll expenses to employees and remuneration for the services rendered by contractors participating in the activities under the Organization's programs.

6.7 Membership fee to International Federation of Red Cross (by programs)	2022	2021
Organization and regulation of the activities of institutions and individual measures in the health care system (with the support of the Ministry of Health of Ukraine)	-	(314)
Total:	-	(314)

6.8 Consulting services for project implementation	2022	2021
International Federation of Red Cross	(6,316)	(629)
Danish Red Cross	(3,963)	(933)
Contributions from various donors and population on statutory activities	(1,023)	-
International Committee of Red Cross	(781)	(305)
Swiss Red Cross	(347)	-
Luxembourg Red Cross	(280)	(174)
NGO "Initiative Center for Promotion of Activity and Development of Public Initiative" (ICPADPI "UNITY")	(246)	(109)
Austrian Red Cross	-	(1)
Total:	(12,956)	(2,151)



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

6.9 Educational activities to people	2022	2021
International Federation of Red Cross	(10,336)	(3,675)
International Committee of Red Cross	(1,258)	(4,578)
Danish Red Cross	(372)	(1,123)
Contributions from various donors and population on statutory activities	(271)	(74)
Luxembourg Red Cross	(554)	(60)
Austrian Red Cross	-	(288)
Turkish Red Crescent	-	(147)
Total:	(12,791)	(9,945)
6.10 Audit services	2022	2021
International Committee of Red Cross	(1,565)	(2,110)
Danish Red Cross	(146)	(383)
International Federation of Red Cross	-	(941)
Austrian Red Cross	-	(148)
Total:	(1,711)	(3,582)
6.11 Trainings/seminars/partner meetings and their monitoring	2022	2021
International Committee of Red Cross	(8,368)	(2,085)
International Federation of Red Cross	(5,574)	(1,644)
Contributions from various donors and population on statutory activities	(2,120)	-
Danish Red Cross	(1,521)	(4,471)
Swiss Red Cross	(732)	(121)
German Red Cross	(283)	-
Austrian Red Cross	(199)	(89)
Luxembourg Red Cross	(114)	-
Other	(32)	(54)
Total:	(18,943)	(8,464)
6.12 Administrative expenses to support URCS (by economic substance)	2022	2021
Rental of premises	(11,096)	(2,180)
Repairs of premises	(6,540)	(2,138)
Construction works	(6,022)	-
Maintenance of motor vehicles	(5,640)	(554)
Bank services	(3,937)	(168)
Insurance	(3,325)	(264)
Utilities	(1,372)	-
Legal services	(1,034)	(246)
Delivery services	(944)	(207)
Communication services	(697)	(125)
Maintenance of premises	(676)	-
Heating	(632)	(256)
Security of premises	(398)	(263)



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

6.12 Administrative expenses to support URCS (by economic substance)	2022	2021
Parking lot	(369)	-
Mail services	(340)	(53)
Software settings	(298)	-
Electricity	(279)	(146)
Motor vehicle repairs	(260)	-
Registration fee	(243)	-
Internet access (including Internet services)	(230)	(235)
Translation services	(222)	(97)
Information services	(195)	(90)
Maintenance of office equipment	(161)	(79)
Household costs	(146)	-
Real estate tax	(82)	-
Mobile communication	(63)	(15)
Equipment repairs	(50)	-
Maintenance of equipment	(36)	-
Customs services	(3)	(24)
Business trips	-	(271)
Monitoring	-	(176)
Ritual services	-	(108)
Other	(222)	(193)
Total:	(45,512)	(7,888)
6.13 Investments	2022	2021
International Federation of Red Cross	-	(2,730)
Total:	-	(2,730)
6.14 Capital investments	2022	2021
International Federation of Red Cross	(270,610)	-
International Committee of Red Cross	(219,286)	-
Contributions from various donors and population on statutory activities	(55,519)	-
Korean Red Cross	(29,904)	-
Danish Red Cross	(7,347)	-
Swiss Red Cross	(7,281)	-
Estonian Red Cross	(1,028)	-
Total:	(590,975)	-

In 2022, donors provided charitable funds to purchase vehicles for URCS to increase mobility when providing assistance to the affected people. Donors also provided charitable funds to purchase and furnish office premises in connection with a significant increase in the number of staff of URCS (rooms for volunteers, psychological and social support, for first aid trainings, for rapid response units, call centers). The increase in the number of personnel is associated with the expanded types and volume of charitable assistance provided to people.



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The expenditures presented as incurred at the cost of contributions from International Committee of Red Cross were made during 2022 at the cost of contributions made to the Platform of IRAISER – Swiss Red Cross. In 2023, the cash was compensated by International Committee of Red Cross and returned to the account of IRAISER Platform.

6.15 Transportation of humanitarian goods

	<u>2022</u>	<u>2021</u>
Contributions from various donors and population on statutory activities	(10,562)	-
Danish Red Cross	(5,141)	-
International Federation of Red Cross	(3,310)	-
Swiss Red Cross	(516)	-
International Committee of Red Cross	(114)	-
Other	(4)	-
Total:	<u>(19,647)</u>	<u>-</u>

6.16 Temporary structures and restoration/construction works for the affected people

	<u>2022</u>	<u>2021</u>
Contributions from various donors and population on statutory activities	(95,661)	-
Swedish Red Cross	(35,919)	-
Luxembourg Red Cross	(29,441)	-
Austrian Red Cross	(11,633)	-
Danish Red Cross	(283)	-
Total:	<u>(172,937)</u>	<u>-</u>

7. CASH

Cash with banks was represented as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash in UAH	1,012,860	12,983
Cash in CHF	538,262	3
Cash in EUR	265,354	1,229
Cash in USD	124,962	2,276
Cash in GBP	100,674	783
Cash in other currencies	5	-
Total	<u>2,042,117</u>	<u>17,274</u>



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NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

As at 31 December 2022, cash balances under programs were as follows:

	31 December 2022	31 December 2021
Temporarily restricted cash	1,193,623	12,492
International donors	1,193,605	12,476
National donors	18	16
Unrestricted own cash	848,494	4,782
Total cash	2,042,117	17,274

As at 31 December 2022, 99% of the Organization's funds were held in the accounts of one Ukrainian bank, which was assigned a rating of uaAAA on the national Ukrainian scale. As at 31 December 2022, the Organization had no deposit accounts.

8. CONTINGENCIES

Taxation

The Organization is a non-profit organization, and specific taxation requirements are applied to it. Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by the tax authorities of tax laws and regulations that, inter alia, could increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts can be material. Facing current economic and political issues, the Government considers implementing certain reforms in the tax system of Ukraine.

On 15 March 2022, the Verkhovna Rada of Ukraine adopted the draft Law No. 7137-д "On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period". The regulations have become effective from the announcement and are expected to remain in effect while the martial law is in force in Ukraine.

Among other changes, the new Law has introduced:

- No penalties should apply for failure to pay taxes and duties or file tax returns and reports, where circumstances mean taxpayers are prevented from compliance (except for declaring a single tax at 2%), registration of tax or excise invoices in the relevant registers in the absence of the ability to file them. Taxpayers should bring their affairs up to date, e.g., pay the taxes and file the returns, within three months after the martial law is lifted.



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- Until the martial law is terminated or cancelled, no new tax audits should be initiated and ongoing tax audits will be suspended. However, exceptions apply to desktop (i.e., virtual) audits to confirm VAT refunds and audits aimed at verification of cash handling procedures and compliance with the labor legislation, which will continue during the martial law.
- VAT rate for fuel imports has been decreased from 20% to 7%.
- Landowners are exempt from paying land tax and land rent in the areas where active hostilities are taking place or temporarily occupied territories, or littered with explosive objects for the period from March 2022 to 31 December of the year following the year in which the martial law is cancelled.
- Environmental tax on the facilities located in temporarily occupied territories or areas where active hostilities are taking place has been cancelled for 2022.

At the same time, on 12 May 2022, the Verkhovna Rada of Ukraine adopted the Draft Law No. 7360 “On Amending the Tax Code of Ukraine and Other Legislative Acts on the Peculiarities of Tax Administration of Taxes, Duties, and Unified Tax Contributions during the Martial Law Period”, which includes significant amendments to the previously adopted legislation on tax administration during the martial law period. On 25 May 2022, the Law was signed by the President of Ukraine and came into force. According to the Law, the obligation to pay taxes, register tax invoices, and submit reports for the taxpayers which are able to fulfill this obligation in a timely manner is restored, the tax authorities’ right to conduct the unscheduled documentary audits has been restored, and penalties as a result of tax audits may now be applied. The moratorium on the penalties imposed as a part of COVID-19 restrictions is cancelled.

On 29 July 2022, the Law No. 2480-IX “On Amending Chapter XX “Transitional Provisions” of the Tax Code of Ukraine on Ensuring the Stable Functioning of the Natural Gas Market During the Martial Law and Subsequent Recovery” entered into force. According to the Law, in the period from 1 January 2022 to 1 January 2024, if the producers of electricity under the “green” tariff do not receive payments for the electricity sold, the income received from such transactions can be recognized as non-taxable and expenses incurred for such electricity as non-deductible. After receiving such payments, the taxpayer should increase the financial result before taxation by the amount of received income and deduct the corresponding expenses.

On 30 August 2022, the Verkhovna Rada of Ukraine approved in the first reading the draft Law No. 7668-д relating to the return of excise taxes on fuel. In accordance with this draft Law, the excise taxes on fuel shall be returned in the amount of EUR 52 per 1,000 liters and on alternative kinds of fuel, gasoline, and diesel in the amount of EUR 100 per 1,000 liters.

Resolution No. 1428 of the Cabinet of Ministers of Ukraine dated 23 December 2022 made significant changes to the Procedure for Suspension of the Registration of Tax Invoices in the Unified Register of Tax Invoices. The key changes provide for the systematization of the taxpayer’s risk criteria, as well as their application considering the peculiarities of the martial law.



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Also, effective from 1 August 2023, the current moratorium on tax audits (with clarifications) will be partially canceled. In the future, audits of taxpayers or the items registered or located in the front-line zone or the area of possible hostilities are prohibited.

In addition, temporarily, during 2023-2024, taxpayers who meet the following conditions may be included in the plan-schedule for conducting scheduled documentary audits:

- A taxpayer performs business activities related to the production or sale of excise goods/is a business entity in the area of gaming business or a financial institution; or
- A taxpayer who meets one of the specific tax risk indicators.

A provision is added according to which it is not required that goods supplied by legal entities for the needs of the Armed Forces correspond to the list approved by the Cabinet of Ministers of Ukraine.

Management believes that the Organization has been in compliance with all requirements of the effective tax legislation.

Legal issues

The Organization is subject to legal actions and complaints in its ordinary course of business. Management believes that it is unlikely that a significant settlement or loss of assets will arise out of actions and complaints.

9. RISK OF CONCENTRATION

As disclosed in Note 5, total contributions for the year ended 31 December 2022 amounted to UAH 5,391,092 thousand. The major donors of the Organization were International Federation of Red Cross – 19.2%, Swiss Red Cross (together with contributions to the Platform of IRAISER) – 14.2%, International Committee of Red Cross – 7.7%, Austrian Red Cross – 6.7%, German Red Cross – 6.4%, Danish Red Cross – 4.1% which, in aggregate, made up 58.3% of the total amount of the funds received. The remaining donors made up 41.7%.

The major donors of the Organization for the year ended 31 December 2021 were International Federation of Red Cross, International Committee of Red Cross, and Danish Red Cross, which jointly contributed 87.5% of the total funds in 2021.

To manage the risk of high concentration of donors, the Organization is actively seeking new sources of funds.

10. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that would require to be disclosed.