LLC Ferrexpo Yeristovo GOK

Financial Statements

As at 31 December 2013 and
for the year then ended
with Independent Auditors' Report

CONTENT

Building a better working world

Ernst & Young Audit Services LLC
Khreschatyk Street, 19A
Kyiv, 01001, Ukraine
Tel: +380 (44) 490 3000
Fax: +380 (44) 490 3030
Ukrainian Chamber of Auditors
Certificate: 3516
www.ey.com/ua

ТОВ «Ернст енд Янг Аудиторські Послуги»
Україна, 01001, Київ
вул. Хрещатик, 19А
Тел.: +380 (44) 490 3000
Факс: +380 (44) 490 3030
Свідоцтво Аудиторської
Палати України: 3516

Independent auditors' report

To the Participants of LLC Ferrexpo Yeristovo GOK

We have audited the accompanying financial statements of Limited Liability Company Ferrexpo Yeristovo GOK ("the Company"), which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in net assets attributable to participants and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to Note 4 to the financial statements, which disclose a significant concentration of the Company's transactions with related parties. Our opinion is not qualified in respect of this matter.

We further draw attention to Note 2 to the financial statements, which describes the political unrest that started in Ukraine in November 2013 and escalated in 2014. The events referred to in Note 2 could adversely affect the Company's results and financial position in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

Ernst & Young Audit Services LLC

31 March 2014

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Notes	2013	2012 Restated*	2011 Restated*
		UAH 000	*UAH 000*	*UAH 000*
ASSETS				
Non-current assets				
Property, plant and equipment	5	4,072,516	3,421,518	2,243,806
Intangible assets		34,918	36,641	1,461
Value added tax receivable	6	305,329	387,421	-
Inventories		8,063	-	-
Prepaid income tax		76,337	-	-
Prepayments and other non-current assets	7	24,151	3,887	-
Deferred tax asset	15	5,654	-	-
		4,526,968	3,849,467	2,245,267
Current assets				
Inventories	8	364,656	123,692	40,272
Accounts receivable	9	255,081	9,003	8,235
Prepaid income tax		-	1,764	1,764
Prepayments to suppliers and other current assets	7	13,583	421	6,004
Value added tax and other taxes receivable	6	143	853	247,945
Cash and short-term deposits	10	322,424	57,544	79,645
		955,887	193,277	383,865
TOTAL ASSETS		5,482,855	4,042,744	2,629,132
LIABILITIES				
Non-current liabilities				
Net assets attributable to participants		3,218,867	2,344,591	1,697,004
Interest-bearing loans and borrowings	11	216,736	1,289,731	597,732
Provision for site restoration	12	4,371	1,206	1,242
Defined benefit liability	13	3,074	2,182	1,787
Guarantees issued	4	1,385	2,545	4,722
		3,444,433	3,640,255	2,302,487
Current liabilities				
Interest-bearing loans and borrowings	11	1,649,950	44,979	10,147
Trade and other payables	14	387,674	356,580	315,234
Guarantees issued	4	798	930	1,264
		2,038,422	402,489	326,645
TOTAL LIABILITIES		5,482,855	4,042,744	2,629,132

* Certain amounts shown here do not correspond to 2012 financial statements and reflect adjustments made, refer Note 3.2.

Signed and authorised for release on behalf of LLC Ferrexpo Yeristovo GOK on 31 March 2014:

General Director	Nikolay Goroshko
Finance Director	Vladimir Leonov
Chief Accountant	Lyudmila Zakharchenko

«ЄРИСТІВСЬКИЙ ГІРНИЧО-ЗБАГАЧУВАЛЬНИЙ КОМБІНАТ» Ідент. код 35713[illegible]3

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	2013	2012
		UAH 000	*UAH 000*
Revenue	4	470,292	-
Cost of sales	16	(425,089)	-
Gross profit		45,203	-
Other income	17	7,559	5,327
General and administrative expenses	18	(53,994)	(37,489)
Selling and distribution expenses	4	(5,385)	-
Value added tax write-off	6	(93,279)	(91,119)
Other expenses	19	(47,366)	(32,823)
Finance income	20	5,326	2,837
Finance costs	20	(78,138)	(9,962)
Foreign exchange gain, net	21	(248)	615
Loss before tax		(220,322)	(162,614)
Income tax expense	15	(746)	-
Loss after tax		(221,068)	(162,614)
Re-measurement gains on defined benefit plans	15	535	2,006
Income tax effect		(102)	-
Other comprehensive income for the year, net of tax		433	2,006
Total comprehensive loss for the year, net of tax		(220,635)	160,608

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	Notes	2013	2012
		UAH 000	*UAH 000*
OPERATING ACTIVITIES			
Loss before income tax		(220,322)	(162,614)
Adjustments:			
Depreciation and amortisation	5	151,086	5,930
Finance income	20	(5,326)	(2,837)
Finance costs	20	78,138	9,962
Value added tax write-off	6	93,279	91,119
Foreign exchange loss/(gain) relating to investing and financing activities, net		4,313	702
Loss on disposal of property, plant and equipment	19	22,783	6,927
		123,951	(50,811)
Working capital adjustments:			
Accounts receivable		(126,183)	(768)
Prepayments and other current assets		(9,867)	5,786
VAT receivable		(6,100)	(231,448)
Inventories		(225,952)	(83,420)
Trade and other payables including taxes, other than income tax and VAT		16,094	(379)
		(228,057)	(361,040)
Interest paid		(56,639)	(3,179)
Income taxes paid		(66,075)	-
Defined employee benefits paid		(17)	(2)
Net cash used in operating activities		(350,788)	(364,221)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(805,292)	(1,102,261)
Capitalised interest paid		(59,694)	(84,669)
Interest received		3,122	1,209
Loans provided to employees		(22,285)	(4,090)
Proceeds from disposal of property, plant and equipment		40,438	2,922
Net cash used in investing activities		(843,711)	(1,186,889)
FINANCING ACTIVITIES			
Contributions from participants		959,443	806,947
Proceeds from borrowings		1,326,838	769,544
Repayment of borrowings		(817,691)	(25,307)
Repayment of finance lease liabilities under sale lease-back transaction		(9,211)	(22,175)
Net cash from financing activities		1,459,379	1,529,009
Net (decrease)/increase in cash and cash equivalents		264,880	(22,101)
Cash and cash equivalents at 1 January	10	57,544	79,645
Cash and cash equivalents at 31 December	10	322,424	57,544

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPANTS for the year ended 31 December 2013

	Issued capital	Re-measurement on defined benefit plans	Accumulated losses	Net assets attributable to participants
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*
At 1 January 2012 *(as previously reported)*	1,799,631	-	(101,477)	1,698,154
Changes in accounting policies (Note 3.2)	-	(1,150)	-	(1,150)
As at 1 January 2012 *(restated*)*	1,799,631	(1,150)	(101,477)	1,697,004
Loss attributable to participants	-	-	(162,614)	(162,614)
Re-measurement on defined benefit plans less deferred tax effect (restated*)	-	2,006	-	2,006
Total comprehensive loss (restated*)	-	2,006	(162,614)	(160,608)
Change in amount of guarantees issued to secure debts of Ferrexpo Group (Note 4)	-	-	1,248	1,248
Capital contribution	806,947	-	-	806,947
At 31 December 2012 *(restated*)*	2,606,578	856	(262,843)	2,344,591
Loss attributable to participants	-	-	(221,068)	(221,068)
Re-measurement on defined benefit plans less deferred tax effect	-	433	-	433
Total comprehensive loss	-	433	(221,068)	(220,635)
Change in amount of guarantees issued to secure debts of Ferrexpo Group (Note 4)	-	-	362	362
Capital contribution	1,079,338	-	-	1,079,338
Other contributions from the participants (Note 4)	-	-	15,211	15,211
At 31 December 2013	3,685,916	1,289	(468,338)	3,218,867

* Certain amounts shown here do not correspond to 2012 financial statements and reflect adjustments made, refer Note 3.2.

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

1. Corporate information

Limited Liability Company Ferrexpo Yeristovo GOK (hereinafter referred to as "the Company") is a limited liability company incorporated under the laws of Ukraine on 14 July 2008. The registered office address of the Company is 15, Budivel'nykiv St., Komsomolsk, Poltava region, Ukraine. As at 31 December 2013, the Company employed 1,318 people (2012: 1,106 people).

As at 31 December, the Company's owners and their respective interests were as follows:

Participants	2013		2012		2011	
	UAH 000	*%*	*UAH 000*	*%*	*UAH 000*	*%*
Ferrexpo AG (Switzerland)	3,685,879	99.999%	2,886,587	99.999%	2,087,610	99.999%
Ferrexpo Service LLC (Ukraine)	37	0.001%	29	0.001%	21	0.001%
	3,685,916	100%	2,886,616	100%	2,087,631	100%

OJSC Ferrexpo Poltava Mining and Ferrexpo Service LLC are controlled by Ferrexpo AG, which is 100% owned by Ferrexpo plc ("the ultimate parent") (hereinafter referred to collectively with its subsidiaries as "Ferrexpo Group"). The majority stake in Ferrexpo plc is ultimately held by Minco Trust, which was set up to manage the controlling interest in the Company of Kostyantyn Zhevago and his immediate family.

The Company was set up for the purpose of developing Yeristovo iron ore deposit: extraction and processing of iron ore and further production of iron ore pellets. The Company reached first iron ore in the second half of 2012, which is in accordance to the development plan. The full capacity is expected to be achieved in 2016. The total estimated costs of the project approximate USD 1.5 billion, which includes construction of the open pit mine and construction of crushing, palletising, floatation and other processing facilities. Currently Ferrexpo Group provides financing in the amount required to carry out mining works according to the development plan.

2. Operating environment, risks and economic conditions

General economic conditions

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, fiscal, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets. The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

In November 2013, the Ukrainian Government declined to sign the association agreement with the European Union, which resulted in protests and signs of political unrest. In January-March 2014, the political unrest escalated. In February 2014, the President and majority of Government officials were dismissed by the Parliament. The Parliament has initiated certain political reforms, has appointed a transitional Government and is forming a set of anti-crisis measures. On 21 March 2014, Ukraine signed a political association with the European Union.

Furthermore, from 1 January 2014 to 31 March 2014, the Ukrainian Hryvnia devaluated against major foreign currencies by 30% -40%, and the National Bank of Ukraine imposed certain restrictions on purchase of foreign currencies at the inter-bank market. The international rating agencies have downgraded sovereign debt ratings for Ukraine. The combination of the above events has resulted in a deterioration of liquidity and much tighter credit conditions where credit is available.

Management is monitoring these developments in the current environment and taking actions where appropriate. Further negative developments in the political, macroeconomic or international trade conditions may adversely affect the Company's operating results and financial position in a manner not currently determinable.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

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

Availability of financing

In 2013 the Company started commercial mining of the iron ore from the first component of the Yeristovo open pit mine. The Company continues to develop the further components of the open pit mine. The ability of the Company to continue its operations will be dependent on the further development of the open pit mine and completion of construction of crushing, pelletising, floatation and other processing facilities, which in turn is dependent on its ability to raise sufficient financing. The current stage of the project is financed by Ferrexpo Group through a variety of options including a combination of debt and equity contributions. Ferrexpo Group is committed to provide further financing for the Company to continue its operations at least in the foreseeable future. Ferrexpo Group considers different possibilities of financing the construction in future including attracting an investor.

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The comparatives have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB); however, no adjustments are needed to align the two frameworks.

The financial statements have been prepared on a historical cost basis, except for post-employment benefits, which are measured in accordance with IAS 19 *Employee Benefits*, and guarantees issued, which are measured at fair value in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

The financial statements are presented in UAH thousands and all values are rounded off to the nearest thousand except where otherwise indicated.

3.2 Changes in accounting policy and disclosures

Certain reclassifications have been made to the 2012 amounts for consistency of presentation with the 2013 amounts.

New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 *Employee Benefits* (Revised 2011), IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Company.

The nature and the impact of new standard applied for the first time in 2013 are described below:

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 23.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Company's financial position or performance.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.2. Changes in accounting policy and disclosures *(continued)*

New and amended standards and interpretations *(continued)*

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)

The Company applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (1 January 2012) and the comparative figures have been accordingly restated.

IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Company include the following:

- IAS 19 (Revised) removes so called "corridor approach" and requires the recognition of actuarial gains and losses from re-measurement of the defined benefit obligation and the fair value of plan assets (not applicable to the Company) in other comprehensive income in the current period. As at 1 January 2012 the Company had a balance of unrecognized actuarial losses of UAH 1,150 thousand. Upon transition to IAS 19 (Revised), this balance was charged to other comprehensive income as at 1 January 2012. Recognition of actuarial loss of UAH 65 thousand for the year ended 31 December 2012 was reversed. Actuarial gain of UAH 2,006 which originated in 2012 was recognised directly in other comprehensive income in 2012.
- IAS 19 (Revised) requires that all past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. As at 1 January 2012 the Company had a balance of unrecognized negative past service cost of UAH 68 thousand. Upon transition to IAS 19 (Revised), this balance was charged to equity (retained earnings) as at 1 January 2012 along with the consequential tax impact. Amortisation on past service costs of UAH 9 thousand for the year ended 31 December 2012 was reversed.

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in Note 13.

Impact on profit or loss and other comprehensive income: increase/(decrease) for 2013 and 2012:

	2013	2012
	UAH 000	*UAH 000*
Re-measurement effects	535	2,006
Tax effect	(102)	-
Other comprehensive income for the year, net of tax	433	2,006
Total comprehensive income for the year, net of tax	433	2,006

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.2. Changes in accounting policy and disclosures *(continued)*

New and amended standards and interpretations ***(continued)***

Impact on retained earnings, other comprehensive income and defined benefit liability as at 31 December / 1 January: (increase)/decrease:

	31 December 2013	31 December 2012	As at 1 January 2012
	UAH 000	*UAH 000*	*UAH 000*
Re-measurement reserve in OCI - (increase)/decrease	(1,289)	(856)	1,150
Defined benefit liability - (increase)/decrease	1,553	980	(1,082)
Construction in progress - (decrease)/increase	(162)	(124)	(68)
Deferred tax asset - (decrease)/increase	(102)	-	-

The transition did not have impact on statements of cash flows.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation provides guidance on the accounting and separation of the costs of stripping activities resulting in the production of inventory in the current period or improved access to further mineral ore deposits that will be mined in future periods. The new interpretation applies to annual periods beginning on or after 1 January 2013. Applying of interpretation had no material effects on the financial position or performance of the Company.

3.3 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Value added tax

As a start-up entity, Ferrexpo Yeristovo GOK does not have substantial amounts of VAT received on domestic sales which can be offset against VAT paid on purchases of capital equipment, goods and services. The Company therefore relies on refunds to be made by the Ukrainian government tax authority. Since the refunds have not been made on time, the gross balance of VAT receivable increased to UAH 489,727 thousand as at 31 December 2013 (2012: UAH 478,540 thousand).

Despite the fact that the vast majority of this balance is due for immediate repayment, management believes that this VAT will be recovered in more than 12 months from the year end. An estimated provision of UAH 184,398 thousand has been recorded as at 31 December 2013 (2012: UAH 91,119 thousand) to reflect the time value of money and other uncertainties related to VAT refund. The exact timing of VAT refund and method of settlement (cash or government bonds or other) is subject to uncertainties outside of management's control. A change of estimate of timing or method of settlement may affect the balance of the recorded provision in future periods. Additional disclosures are made in Note 6.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.3 Significant accounting judgments, estimates and assumptions *(continued)*

Operating lease commitments - Company as a lessor

The Company leases out its equipment to the OJSC Ferrexpo Poltava Mining. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these equipment and accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of property, plant and equipment

The Company's impairment test for property, plant and equipment is based on value in use calculations that use a discounted cash flow model. Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset. The Company is in the development phase, and the model also takes account of the capital expenditure being incurred at the project.

The assumptions used in the model are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result (usually lower) to a fair value calculation. In testin g for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets and liabilities that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company identified a single cash-generating unit.

The impairment assessments are based on a range of estimates and assumptions, including:

- Future production - Proved and probable reserves, resource estimates and, in certain cases, expansion projects;
- Commodity prices - Price forecasts;
- Exchange rates - Current market exchange rates;
- Discount rates - Cost of capital risk adjusted for the resource concerned.

The key assumptions used to determine the recoverable amount, including a sensitivity analysis, are further explained in Note 5.

Depreciation

Management estimates are necessary to identify the useful lives of property, plant and equipment. Management uses its expertise and judgment in reassessing the remaining useful lives of major items at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.3 Significant accounting judgments, estimates and assumptions *(continued)*

Deferred tax assets

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

Ore reserve and resource estimate

Ore reserves are estimates of the amount that can be economically and legally extracted from the Company's mining properties. The Company's estimates of its ore reserves and mineral resources are based on information compiled by appropriately qualified persons relating to the geological data on size, depth and shape of the ore body which require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of property, plant and equipment, provision for site restoration, recognition of deferred tax assets and depreciation charges.

Provision for site restoration

The Company assesses the provision for site restoration annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of site restoration activities, regulatory changes, changes in inflation and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future site restoration costs required. Further details on the method the Company has used to identify and estimate provision for site restoration are detailed in Note 12.

Employee defined benefit liability

The cost of defined benefit pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the yield of government bonds because there is no deep market in corporate bonds in Ukraine. Due to the long term nature of these plans, the estimates are subject to significant uncertainty. Further details are given in Note 13.

Fair value of financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.3 Significant accounting judgments, estimates and assumptions *(continued)*

Commitments and contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. For details refer to Note 22.

3.4 Summary of significant accounting policies

Functional currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the functional currency of the Company has been determined to be the Ukrainian hryvnia. This means that transactions in currencies other than the hryvnia are treated as transactions in foreign currencies.

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, such financial assets are measured at amortised cost using the effective interest rate method ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income. The losses arising from impairment are recognised in finance costs.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method ("EIR"). Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs.

Derecognition of financial instruments

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Derecognition of financial instruments *(continued)*

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Financial liabilities

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the properties have been put into operation, such as repairs and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of properties.

Each item's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Depreciation commences on the month following the date of putting the item into operation. Freehold land is not depreciated.

Major spare parts and stand-by equipment qualify as property, plant and equipment when they are expected to be used during more than one period.

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

Buildings	30-50 years
Plant and equipment	5-15 years
Vehicles	7-15 years
Fixtures and fittings	2-10 years

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Construction in progress includes cost of mine construction, other construction works, cost of engineering works, other direct costs, an appropriate proportion of overheads and borrowing costs for long-term construction projects if the recognition criteria are met. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Mining assets

Mining assets comprise mine exploration, evaluation and development costs incurred up to commencement of production, including mine stripping costs incurred in order to access the mineral-bearing ore deposits prior to the commencement of production, and are depreciated using the unit of production method based on the estimated economically recoverable reserves to which they relate.

Stripping costs

Pre-production stripping costs

Stripping costs incurred before production commences are capitalised as part of the cost of constructing the mine. At the point of time of the commencement of the production of the mine, these pre-production stripping costs are transferred to mining assets and depreciation commences.

Production stripping costs

Production stripping costs are for the removal of overburden in the course of production. Such stripping costs are generally not capitalised and considered to be variable production costs and included to cost of production. Production stripping costs can be capitalised as an asset if, and only if all of the following criteria are met:

- it is probable that there will be an expected future economic benefit that is clearly attributable to the capitalised production stripping costs;
- the future economic benefit will flow to the entity in more than two financial years (not including the financial year in which the stripping costs first incurred);
- the stripping costs can be measured reliably and allocated to the volume of ore to be mined;
- the period in which the future economic benefit flows to the entity can be reliably determined.

Exploration and evaluation costs

Costs incurred in relation to the exploration and evaluation of potential iron ore deposits are capitalised and classified as tangible or intangible asset depending on the nature of the expenditures. Costs associated with exploratory drilling, researching and analysing of exploration data and costs of pre-feasibility studies are included in tangible assets whereas those associated with the acquisition of licences are included in intangible assets.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Exploration and evaluation costs *(continued)*

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory trenching and sampling;
- determining and examining the volume and grade of the resource;
- compiling pre-feasibility and feasibility studies.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. It is intended that these will be developed and go into production when the current source of ore is exhausted.

An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognised, before reclassification.

Development expenditure

Development expenditure is also included in "Construction in progress". As the asset is not available for use, it is not depreciated. On completion of development, any capitalised exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as "Mining assets".

Intangible assets

Intangible assets, including mineral licences, which are acquired by the Company and which have finite useful lives, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of comprehensive income in the period in which the expenditure is incurred.

Amortisation

Intangible assets, other than goodwill, primarily comprise computer software, which are amortised on a straight-line basis over the estimated useful life of five years.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalises borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. The Company continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for on a first-in, first-out basis.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Net assets attributable to participants

Pursuant to Ukrainian legislation currently in force and in compliance with the Company's charter documents, the Company's net assets attributable to participants may be redeemed in cash at the request of the Company's participants. The Company's obligation to redeem participants' interest gives rise to a financial liability for the present value of the redemption amount even though the obligation is conditional on the participant exercising the right. It is impractical to determine the fair value of this liability as it is unknown when and if participants will withdraw from the Company. As a practical expedient, the Company measures the liability presented as "Net assets attributable to participants" at the carrying value of the Company's net assets.

The Company's issued capital is recognised at the value of considerations received or receivable.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Site restoration provision

Site restoration provisions are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (determined by an independent expert) in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is expensed as incurred and included in finance costs. The provision for site restoration is capitalised to mining assets and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Employee benefits

The Company makes defined contributions to Ukrainian state pension scheme at the statutory rates in effect during the year, based on gross salary payments; such expense is charged in the period the related salaries are earned.

In addition, the Company has a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of the current and former employees of the Company. These obligations being unfunded are substantially similar to those typically existing under an unfunded defined benefit plan. Costs relating to this plan are accrued in these financial statements using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises service cost within cost of sales and net interest expense within finance costs. If service costs relate to employees whose wage is included to cost of construction in progress, service costs are also capitalised. Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Environmental liabilities

The enforcement of environmental regulations in Ukraine is evolving, and the enforcement posture of government authorities is continually being reconsidered.

Immediate provision is made for expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings in order to recognize the liability in the year when the conditions are identified. Measurement of liabilities is based on current legal requirements and obligations and estimated based on existing technical standards. Actual results could vary from estimates made to the date.

Contingent assets and liabilities

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Leases

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

Company as a lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Company as a lessor

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of services is recognised when services are complete.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Revenue recognition *(continued)*

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

Taxes

Current income tax

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

Deferred tax

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

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.4 Summary of significant accounting policies *(continued)*

Taxes *(continued)*

Value-added tax

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

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

The net amount of VAT receivable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.5 IFRSs and IFRIC Interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective or not yet adopted by the European Union, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The IASB determined the effective date to be 1 January 2015. The Company will assess IFRS 9's full impact and will determine the date to adopt IFRS 9 once it is endorsed for use in the European Union.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the Company. The IASB implementation date is for annual periods beginning on or after 1 January 2013, whereas the standard becomes mandatory in the European Union only for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint arrangements

The new standard replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly-controlled Entities – Nonmonetary Contributions by Venturers*. The IASB implementation date is for periods beginning on or after 1 January 2013 whereas the standard becomes mandatory in the European Union only for annual periods beginning on or after 1 January 2014. The standard defines contractually agreed sharing of control of an arrangement and the accounting for joint operations and joint ventures. The Company will review its arrangements in place in order to evaluate the potential impact.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. The IASB implementation date is for annual periods beginning on or after 1 January 2013, whereas the standard becomes mandatory in the European Union only for annual periods beginning on or after 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3.5 IFRSs and IFRIC Interpretations issued but not yet effective *(continued)*

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the Interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. According to IASB, IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The interpretation has not yet been endorsed by the European Union and the effective date is not yet known. The adoption of IFRIC 21 may have an impact on the Company's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12. However, the Company is still assessing and quantifying the effect.

IAS 19 Employee Benefits (amendment)

IAS 19 was amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment is effective from annual periods beginning on or after 1 July 2014.

IAS 24 Related Party Disclosures (amendment)

The amendment relates to management entities and becomes effective for annual periods beginning on or after 1 July 2014.

IAS 36 Impairment of Assets (amendment)

The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are effective for annual periods beginning on or after 1 January 2014.

4. Related party disclosure

As at 31 December 2013, 2012 and 2011, the Company's outstanding balances with its related parties were as follows:

2013	Ferrexpo AG, the Parent	Other Ferrexpo Group entities	Other related parties	Total
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*
Interest-bearing loans and borrowings	-	(1,604,841)	-	(1,604,841)
Payables for property, plant and equipment	(261,129)	-	-	(261,129)
Payables for materials and services	-	(17,531)	(57)	(17,588)
Accounts receivable	119,895	130,617	409	250,921
Cash and short-term deposits	-	-	322,424	322,424

2012	Ferrexpo AG, the Parent	Other Ferrexpo Group entities	Other related parties	Total
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*
Interest-bearing loans and borrowings	-	1,060,487	-	1,060,487
Payables for property, plant and equipment	261,129	-	87	261,216
Payables for materials and services	-	20,736	36	20,772
Accounts receivable	-	5,827	1,027	6,854
Cash and short-term deposits	-	-	56,978	56,978

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

4. Related party disclosure *(continued)*

In 2013 and 2012 the Company's transactions with its related parties were as follows:

2013	Ferrexpo AG, the Parent	Other Ferrexpo Group entities	Other related parties	Total
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*
Purchases of property, plant and equipment	-	36	-	36
Purchases of materials and services included in construction in progress	-	94,178	4,982	99,160
Capitalised interest	-	59,694	-	59,694
Revenues	-	(470,292)	-	(470,292)
Selling and distribution expenses	-	4,647	-	4,647
General and administrative expenses	-	650	1,834	2,484
Other expenses	-	191	-	191
Finance income	-	930	3,122	4,052
Finance costs	-	61,999	-	61,999
Other income	-	2,423	-	2,423

2012	Ferrexpo AG, the Parent	Other Ferrexpo Group entities	Other related parties	Total
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*
Purchases of property, plant and equipment	-	567	-	567
Purchases of materials and services included in construction in progress	-	116,854	1,687	118,541
Capitalised interest	-	84,669	-	84,669
Other expenses	-	1,155	4	1,159
General and administrative expenses	-	708	1,534	2,242
Finance income	-	1,264	1,209	2,473
Finance costs	206	-	1,296	1,502
Other income	-	3,582	3,422	7,004

Purchases, trade and other payables

In 2013, the Company acquired from other Ferrexpo Group entities services of UAH 46,697 thousand which were capitalised into construction in progress (2012: UAH 64,028 thousand) and inventories of UAH 47,481 thousand (2012: UAH 52,826 thousand).

Accounts to Ferrexpo Group entities are non-interest bearing and according to the contract are payable within 30-60 days after the date of delivery of assets or rendering of services.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

4. Related party disclosure *(continued)*

Income and expense

As at 31 December 2013, mining equipment and buildings with a carrying value of UAH 14,372 thousand (2012: UAH 14,799 thousand) were rented out to Ferrexpo Poltava Mining under short-term operating lease agreements. In 2013, income from operating lease comprised UAH 2,423 thousand (2012: UAH 2,492 thousand) (Note 17). Relating accounts receivable were non-interest bearing and recoverable in 30-60 days.

In 2013, the Company sold iron ore to OJSC Ferrexpo Poltava Mining for UAH 470,292 thousand. In 2012, the Company sold iron ore extracted during the development phase of the open mine to OJSC Ferrexpo Poltava Mining, with a net income of UAH 21,091 thousand, which was deducted from the carrying value of the open pit mine.

Financing, relating costs and guarantees issued

Interest-bearing loans and borrowings

In 2011 the Company obtained a USD 200,000 thousand unsecured loan facility from a Ferrexpo Group entity. The facility was denominated in USD and bore interest of 11.0% p.a. In September 2013, the Ferrexpo Group entity retrospectively reviewed the interest rate and decreased it to 10.0% p.a. Gain of UAH 15,211 thousand from the decrease in interest rate was recognised within net assets attributable to participants. The facility was repaid in October 2013.

In 2012 the Company obtained a USD 100,000 thousand unsecured loan facility from a Ferrexpo Group entity; in 2013 the facility was extended up to USD 300,000 thousand. The facility is denominated in USD, bears interest of 7.5% p.a. till 19 December 2012 and 9.8% since that and is repayable in August 2014. As at 31 December 2013, principal of USD 200,000 thousand (2012: USD 34,000 thousand) was outstanding.

The related borrowing costs of UAH 59,694 thousand in 2013 (2012: UAH 84,669 thousand) were capitalised as a part qualifying assets (Note 5).

Guarantees issued

In 2010 the Company issued a free-of-charge guarantee for the total amount of USD 420,000 thousand to secure debt facilities attracted by Ferrexpo Group. The facility is used or intended to be used by other Ferrexpo Group entities. The debt facility matures in 2016.

The Company recognised fair value of the issued guarantees and the effect from the change in the initial amount of guarantees within the net assets attributable to participants. The Group recognised income of UAH 930 thousand relating to these guarantees (2012: UAH 1,264 thousand) within finance income (Note 20).

Cash and short-term deposits and relating income

As at 31 December 2013, cash and short-term deposits were placed with a Ukrainian bank, which is a related party (Note 10).

In 2013, the relating interest income of UAH 3,122 thousand was recognised in finance income (2012: UAH 1,209 thousand) (Note 20).

Commitments

As at 31 December 2013, 2012 and 2011 the Company's commitments to related parties for purchase of property and equipment comprised:

	2013	2012	2011
	UAH 000	*UAH 000*	*UAH 000*
Ferrexpo Group entities	925	7,451	12,832
Other related parties	8,001	112,684	486
	8,926	120,135	13,318

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013

4. Related party disclosure *(continued)*

***Commitments** (continued)*

Leases

In 2011 the Company entered into a non-cancellable agreement to lease a plot of land from Ferrexpo Poltava Mining. As at 31 December 2013 the total amount of future minimum lease payments comprised UAH 597,625 thousand (2012: UAH 288,847 thousand) (Note 22).

Compensation to key management personnel

Key management personnel comprise acting general director, acting finance director and chief accountant. In 2013, total compensation to key management personnel included in administrative expenses amounted to UAH 1,548 thousand (2012: UAH 932 thousand). Compensation to the key management personnel consists of contractual salary and bonuses.

5. Property, plant and equipment

As at 31 December, property, plant and equipment comprised:

	2013	2012 (restated)	2011 (restated)
	UAH 000	*UAH 000*	*UAH 000*
Property, plant and equipment	3,982,865	3,315,079	2,000,880
Prepayments for property, plant and equipment	89,651	106,439	242,926
	4,072,516	3,421,518	2,243,806

Movement of property, plant and equipment is as follows:

2013 *(in UAH 000)*	Land	Mining assets	Buildings	Plant and equipment	Vehicles	Fixture and fittings	Construction in progress and uninstalled equipment	Total
Cost								
At 31 December 2012 *(restated)*	2,397	1,741,101	147,622	552,051	634,949	7,330	457,533	3,542,983
Additions	-	-	3,202	76,946	24,048	5,463	873,132	982,791
Transfers	-	-	134,608	13,966	-	249	(148,823)	-
Disposal	-	-	(46,688)	(55)	(13,913)	(183)	(7,943)	(68,782)
At 31 December 2013	2,397	1,741,101	238,744	642,908	645,084	12,859	1,173,899	4,456,992
Accumulated depreciation								
At 31 December 2012	-	-	29,708	93,474	103,163	1,559	-	227,904
Depreciation charge	-	101,169	19,798	63,971	65,174	1,672	-	251,784
Disposal	-	-	(1,517)	(34)	(3,979)	(31)	-	(5,561)
At 31 December 2013	-	101,169	47,989	157,411	164,358	3,200	-	474,127
Net book value								
At 31 December 2012 *(restated)*	2,397	1,741,101	117,914	458,577	531,786	5,771	457,533	3,315,079
At 31 December 2013	2,397	1,639,932	190,755	485,497	480,726	9,659	1,173,899	3,982,865

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

5. Property, plant and equipment *(continued)*

2012 *(in UAH 000)*	Land	Mining assets	Buildings	Plant and equipment	Vehicles	Fixture and fittings	Construction in progress and uninstalled equipment	Total
Cost								
At 31 December 2011 *(restated)*	439	-	99,791	361,467	459,091	5,125	1,187,435	2,113,348
Additions *(restated)*	-	-	3,773	170,229	172,653	1,981	1,095,013	1,443,649
Transfers	1,958	1,741,101	51,334	20,369	3,891	227	(1,818,880)	-
Disposal	-	-	(7,276)	(14)	(686)	(3)	(6,035)	(14,014)
At 31 December 2012 *(restated)*	2,397	1,741,101	147,622	552,051	634,949	7,330	457,533	3,542,983
Accumulated depreciation								
At 31 December 2011	-	-	18,560	47,750	45,636	522	-	112,468
Depreciation charge	-	-	15,246	45,734	57,583	1,038	-	119,601
Disposal	-	-	(4,098)	(10)	(56)	(1)	-	(4,165)
At 31 December 2012	-	-	29,708	93,474	103,163	1,559	-	227,904
Net book value								
At 31 December 2011 *(restated)*	439	-	81,231	313,717	413,455	4,603	1,187,435	2,000,880
At 31 December 2012 *(restated)*	2,397	1,741,101	117,914	458,577	531,786	5,771	457,533	3,315,079

As at 31 December 2013, equipment with carrying value of UAH 84,855 thousand (2012: UAH 74,214 thousand) was held under finance lease agreement (Note 11).

In 2013, borrowing costs of UAH 59,694 thousand relating to qualifying assets were capitalised (2012: UAH 84,669 thousand). In 2013, UAH 80,770 thousand of depreciation was capitalised in the cost of the mine construction (2012: UAH 115,059 thousand).

On 31 December 2012 the Company put in operation the first component of the open pit mine. As a result, UAH 1,741,101 thousand was transferred from construction in progress to the mining asset.

Pledged assets

As at 31 December 2013, equipment and mining vehicles with a carrying value of UAH 254,416 thousand (2012: UAH 288,316 thousand) was pledged as a security under loans from foreign banks (Note 11). As at 31 December 2013 equipment and mining vehicles with a carrying value of UAH 200,746 thousand were pledged as collateral for the debt of Ferrexpo Group entity for the purchase of these assets (2012: UAH 230,936 thousand).

Impairment testing

The Company's property, plant and equipment have been allocated for impairment purposes to a single cash-generating unit. Impairment testing was performed at 31 December 2013 based on a value-in-use calculation using cash flow projections. The impairment model accounts for capital expenditures to be incurred.

Key assumptions

The key assumptions used in the value-in-use calculations were evolution of iron ore prices, costs of raw materials and other production and distribution costs and production volume from ore. The extraction of iron ore from the first component of the open pit mine commenced in 2012; however, the Company continues to develop the next components of the open pit mine and the full capacity is expected to be achieved in 2016. The production volumes used in the model have been agreed to the feasibility study for Yeristovo deposit.

The cash flows were projected based on management expectations regarding the development of the iron ore and steel market, as well as the cost of producing and distributing the pellets.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

5. Property, plant and equipment *(continued)*

***Impairment testing** (continued)*

In determining the future long-term selling price, management takes into account external and internal analysis of the long-term and short-term supply and demand dynamics in the local region and throughout the world along with costs of production of competitors and the marginal cost of incremental production in a particular market.

Cost of production and shipping is considered taking into account local inflationary pressures, and the longer-term and shorter-term trends in energy supply and demand and the effect on costs along with the expected movements in steel related commodity prices which affect the cost of certain production inputs.

These future cash flows were discounted using the post-tax real discount rate of 10% p.a. (2012: 10% p.a.) This rate reflects the time value of money and risk associated with the asset, and is in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

Management believes that due to a high value of projects and resulting reserve base no reasonable change in the above key assumptions would cause the carrying value of the unit to materially exceed its value-in-use.

6. Value added tax

VAT receivable is as a result of VAT paid on domestic Ukrainian purchases of capital equipment, services and goods and on the import of capital equipment, services and goods into Ukraine to the extent that this cannot be offset on VAT paid on domestic sales. The Company currently has limited sales since it is in process of developing an open mine pit; the extraction of iron ore has not started yet. As a result, VAT has to be recovered from the Government tax authority and the Company is reliant on the normal functioning of this system. In 2013 the Company received VAT cash refund of UAH 109,789 thousand (2012: nil). In 2013 the gross VAT receivable balance increased from UAH 478,540 thousand to UAH 489,727 thousand.

As at 31 December 2013 the Group and tax authorities disputed VAT receivable of UAH 440,135 thousand. The cases are under investigation of Ukrainian courts of different instances, however the management believes that VAT in courts will be fully recovered. The protracted procedures involved and the complexity of the system will, however, result in a delay in repayment.

Management expects the amount of gross VAT to be fully recovered. However, the exact timing of recovery and method of settlement is subject to uncertainties. Management has assessed the considerable uncertainties regarding the method of repayment of VAT and uncertainties relating to the timing of recovery of the VAT due and recognised a corresponding VAT provision of UAH 184,398 thousand as at 31 December 2013 (2012: UAH 91,119 thousand).

A financial loss could result, for example, from recovery of VAT through the issuance of bonds or treasury promissory notes which trade at a discount at the time of issue; continued delays in repayment as a result of Government fiscal constraints diminishing the present value of the receivable; or adverse decision in the courts regarding VAT balances in dispute, which management believe is fully recoverable. In March 2014, the cabinet of ministers of Ukraine confirmed that outstanding VAT liabilities might be settled with government bonds instead of cash repayment. As at the date of the publication of these accounts no such financial instruments have been issued.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

7. Prepayment and other assets

	2013	2012
	UAH 000	UAH 000
Current		
Prepayments for materials and spare parts	7,215	-
Prepaid services	2,186	-
Loans to employees	1,975	283
Prepaid employee costs	1,319	138
Other	888	-
	13,583	421
Non-current		
Prepaid employee costs	16,210	1,189
Loans to employees	7,941	2,698
	24,151	3,887

In 2013 and 2012 the Company issued loans to employees at lower than market interest rates. The Company initially recognised these loans at fair value. The difference between nominal and fair value was recognised as prepaid employee costs and will be charged to the income statement over the lower of the loan term and the average service life of the employee.

8. Inventories

	2013	2012
	UAH 000	UAH 000
Iron ore (at cost)	180,174	12,584
Spare parts (at cost)	119,753	71,737
Changeable equipment (at cost)	25,297	15,965
Raw materials (at cost)	24,597	7,364
Fuel (at cost)	13,811	15,671
Other (at cost)	1,024	371
	364,656	123,692

9. Accounts receivable

	2013	2012
	UAH 000	UAH 000
Receivables for iron ore	120,902	5,515
Capital contribution receivable from the Parent	119,895	-
Receivables for materials	19,052	11,713
Receivables for services	7,132	313
Other	25	122
	267,006	17,663
Allowance for non-collectability	(11,925)	(8,660)
	255,081	9,003

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2013

9. Account receivable *(continued)*

As at 31 December, the ageing analysis of trade and other receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*
2013	255,081	188,953	63,176	319	276	1,206	1,151
2012	9,003	6,634	-	709	6	622	1,032

Reconciliation of the allowance for non-collectability of receivables:

	2013	2012
	UAH 000	*UAH 000*
At 1 January	(8,660)	(393)
Charge for the year	(3,265)	(8,267)
At 31 December	(11,925)	(8,660)

10. Cash and short-term deposits

	2013	2012
	UAH 000	*UAH 000*
Short term deposits	320,127	56,157
Cash at banks and on hand	2,297	1,387
	322,424	57,544

As at 31 December 2013, cash placed with a bank, which is related party, included a deposit of UAH 311,727 thousand (2012: UAH 48,757 thousand) denominated in USD, which bears interest of 4% p.a. (2012: 3% p.a.) and a deposit of UAH 8,400 thousand (2012: UAH 7,400 thousand) denominated in UAH, which bears interest of 17% p.a. (2012: 18% p.a.). The deposits have original maturity of less than three months. In 2013, the relating interest income of UAH 3,122 thousand was recognised in finance income (2012: UAH 1,209 thousand) (Note 20).

11. Interest-bearing loans and borrowings

	2013	2012
	UAH 000	*UAH 000*
Current		
Ferrexpo Group entity (Note 4)	1,598,600	-
Foreign bank	29,551	29,210
Finance lease	14,315	9,262
Interest accrued	7,484	6,507
	1,649,950	44,979
Non-current		
Ferrexpo Group entity (Note 4)	-	1,055,076
Foreign bank	140,027	168,128
Finance lease	76,709	66,527
	216,736	1,289,731
	1,866,686	1,334,710

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

11. Interest-bearing loans and borrowings *(continued)*

Loans from Ferrexpo Group entity

In 2011 the Company obtained a USD 200,000 thousand unsecured loan facility from a Ferrexpo Group entity. The facility was denominated in USD and bore interest of 11.0% p.a. In September 2013, the Ferrexpo Group entity retrospectively reviewed the interest rate and decreased it to 10.0% p.a. The resulting gain of UAH 15,211 thousand was recognised within net assets attributable to participants. The facility was repaid in October 2013.

In 2012 the Company obtained a USD 100,000 thousand unsecured loan facility from a Ferrexpo Group entity; in 2013 the facility was extended up to USD 300,000 thousand. The facility is denominated in USD, bears interest of 7.5% p.a. till 19 December 2012 and 9.8% since that and is repayable in August 2014. As at 31 December 2013, principal of USD 200,000 thousand (2012: USD 34,000 thousand) was outstanding.

Loans from a foreign bank

In 2012 the Company obtained a loan of USD 22,043 thousand from a foreign bank. The loan is denominated in USD, bears interest of 2.508% p.a. and matures in March 2019. The loan is secured by equipment and mining vehicles with a carrying value of UAH 206,676 thousand (2012: UAH 232,193 thousand) and a non-separable free of charge guarantee provided by OJSC Ferrexpo Poltava Mining.

In 2011 the Company obtained a loan from a foreign bank for a purchase of a mining excavator. The loan is denominated in EUR, bears interest of Euribor 6 m + 2%, divided by 0.98 p.a. and is repayable in instalments in 2012-2018. The loan is secured with a purchased excavator with net book value of UAH 49,740 thousand as at 31 December 2013 (2012: UAH 56,123 thousand) and a non-separable free of charge guarantee provided by Ferrexpo AG.

Undrawn borrowing facilities

As at 31 December 2013, available undrawn borrowing facilities of the Company totalled UAH 799,300 thousand (2012: UAH 1,324,824 thousand) including undrawn facilities under loan agreements with related parties.

Finance lease

In 2013 the Company leased mining equipment under finance lease agreements which bear interest of 8.5% and are denominated in USD.

In 2012 the Company entered into a sale and lease back agreement with a leasing company. The finance lease liabilities bear interest of 9% p.a. and are denominated in USD.

As at 31 December, the Company is committed to the following payments under the finance lease agreements:

2013	Minimum lease payments	Present value of minimum lease payments
	UAH 000	*UAH 000*
Within one year	17,988	11,799
After one year but not more than five years	70,068	56,859
More than five years	7,353	7,138
Total minimum lease payments	95,409	75,796
Less amounts representing finance charges	(19,613)	-
Add VAT	15,228	15,228
Liabilities under finance lease	91,024	91,024
Current portion	14,315	
Non-current portion	76,709	
	91,024	

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

11. Interest-bearing loans and borrowings *(continued)*

Finance lease (continued)

2012	Minimum lease payments	Present value of minimum lease payments
	UAH 000	*UAH 000*
Within one year	11,936	7,693
After one year but not more than five years	52,036	37,250
More than five years	19,508	18,106
Total minimum lease payments	83,480	63,049
Less amounts representing finance charges	(20,431)	-
Add VAT	12,740	12,740
Liabilities under finance lease	75,789	75,789
Current portion	9,262	
Non-current portion	66,527	
	75,789	

12. Provision for site restoration

The Company recognised provision relating to site restoration of Yeristovo deposit to the extent of damage already caused. The costs of decommissioning open pit mines are based on the amounts determined by third party experts. The provision represents the discounted value of the estimated costs to decommission and restore the mines at the dates the deposits are expected to be depleted. The present value has been calculated using a nominal pre-tax discount rate of 12.3% (2012: 11.9%).

The liability becomes payable at the end of the useful life of the mine, currently estimated to be 2035. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the levels of discount and inflation rates.

The movement in the site restoration provisions was as follows:

	2013	2012
	UAH 000	*UAH 000*
At 1 January	1,206	1,242
Unwind of the discount	133	137
Revision of provision and effect of change in assumptions	3,032	(173)
At 31 December	4,371	1,206

13. Defined benefit liability

The Company has a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of employees mostly engaged in mining works who are eligible for early retirement benefits. As at 31 December 2013 the defined benefit plan covered 600 employees (2012: 533 employees).

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

	2013	2012
	UAH 000	*UAH 000 (restated)*
Opening defined benefit obligation	2,182	1,787
Benefit expense	1,444	2,403
Re-measurement gains on defined benefit plans	(535)	(2,006)
Benefits paid	(17)	(2)
Defined benefit liability at the end of the year	3,074	2,182

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

13. Defined benefit liability *(continued)*

Benefit expense

	2013	2012
	UAH 000	*UAH 000*
Service cost	1,185	2,207
Interest cost on benefit obligation	259	196
	1,444	2,403

Re-measurement gains

	2013	2012
	UAH 000	*UAH 000*
Actuarial changes arising from changes in demographic assumptions	(20)	-
Actuarial changes arising from changes in economic assumptions	(638)	(2,563)
Experience adjustments	123	557
	(535)	(2,006)

In 2012, benefit expense, excluding interest cost, and re-measurement gains were included in cost of construction in progress, since employees eligible for additional pensions are engaged in works related to construction of the open pit mine. Interest cost was included in other finance costs. In 2013 benefit expense, excluding interest cost was included in cost of sales. Interest cost was included in other finance costs.

The principal assumptions used in determining defined benefit obligation are shown below:

	2013	2012
Discount rate	11.90%	11.90%
Pension indexation	4.44%	-
Staff turnover	5.00%	10.00%
Future benefit increase	4.55%	5.28%

The sensitivity analysis is given in the table below:

2013	Increase/ (decrease) in rate	Effect on defined benefit obligation
Discount rate	1%	(402)
Discount rate	-1%	339
Future benefit increase	1%	273
Future benefit increase	-1%	(315)
Pension indexation	1%	50
Pension indexation	-1%	(51)
Life expectancy	1%	66
Life expectancy	-1%	(77)

2012	Increase/ (decrease) in rate	Effect on defined benefit obligation
Discount rate	1%	(268)
Discount rate	-1%	323
Future benefit increase	1%	258
Future benefit increase	-1%	(220)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

14. Trade and other payables

	2013	2012
	UAH 000	*UAH 000*
Payables for property, plant and equipment	272,677	302,274
Payables for materials and services	71,361	35,514
Taxes payable, other than income tax	23,425	3,935
Payables to employees	20,170	13,320
Other payables	41	1,537
	387,674	356,580

15. Income tax

The major components of income tax expense for the period are:

	2013	2012
	UAH 000	*UAH 000*
Current income tax expense	6,502	-
Deferred tax expense	(5,756)	-
	746	-

The Company's income was subject to taxation in Ukraine only. In 2013 Ukrainian corporate income tax was levied at a rate of 19% (2012: 21%).

According to the changes to the Tax Code introduced in 2013, a tax rate of 18% shall be applied starting from 1 January 2014, 17% - from 1 January 2015 and 16% - from 1 January 2016. When estimating deferred taxes as at 31 December 2013, the Company used these rates. In April 2014, the Tax Code was changed again and a single tax rate of 18% shall be applied from 1 January 2014 and thereafter.

Deferred tax related to items charged or credited directly to OCI during the year:

	2013	2012
	UAH 000	*UAH 000*
Actuarial remeasurement effect	102	-
	102	-

The effective income tax differs from the corporate income tax rate in Ukraine. The reconciliation between tax expense and income before taxes multiplied by the tax rate is as follows:

	2013	2012
	UAH 000	*UAH 000*
Loss before tax	(220,322)	(162,614)
Notional tax computed at the statutory tax rate of 19% (2012: 21%)	(41,861)	(34,149)
Effect of the change in tax rate (period of recoverability)	(3,430)	3,084
Effect of the change in tax base for property, plant and equipment and intangibles	-	(2,087)
Change in unrecognised deferred tax asset	19,978	11,024
Utilisation of previously unrecognised tax losses	5,050	-
Re-assessment of tax losses carried forward	(5,627)	-
Tax effect of differences that are not deductible / (not taxable) in determining taxable profit relating to:		
Effect of contribution from participants	2,887	-
Foreign exchange gain, net	-	(150)
Loss on VAT write-off	17,723	19,135
Social sphere expenses	5,731	2,395
Other	295	748
Income tax expense	746	-

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

15. Income tax *(continued)*

Deferred income tax assets and liabilities at 31 December relate to the following:

	Statement of financial position			Profit or loss	
	2013	**2012**	**2011**	**2013**	**2012**
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*
Deferred tax assets					
Property, plant and equipment	37,135	7,392	-	(29,743)	(7,392)
Trade and other payables	2,585	1,906	456	(679)	(1,450)
Trade and other receivables	2,146	1,889	-	(257)	(1,889)
Defined benefit liability	-	506	113	506	(393)
Provision for site restoration	193	193	199	-	6
Interest-bearing loans and borrowings	-	-	663	-	663
Losses available for offsetting against future taxable income	3,447	2,870	1,349	(577)	(1,521)
Un-recognised deferred tax assets	(33,565)	(13,587)	(2,563)	19,978	11,024
Total deferred tax asset	11,941	1,169	217		
Deferred tax liabilities					
Inventories	(3,769)	-	-	3,769	-
Interest bearing loans and borrowings	(2,416)	(1,162)	-	1,254	1,162
Prepayments made	-	(7)	-	(7)	7
Property, plant and equipment	-	-	(217)	-	(217)
Total deferred tax liability	(6,185)	(1,169)	(217)		
Deferred tax (income)/expense				(5,756)	-
Net deferred tax asset	5,756	-	-		

Reconciliation of deferred tax liabilities, net:

	2013	**2012**
	UAH 000	*UAH 000*
Opening balance as of 1 January	-	-
Tax income/(expense) during the period recognised in profit or loss	5,756	-
Tax income/(expense) during the period recognised in other	(102)	-
Closing balance as at 31 December	5,654	-

The nature of the temporary differences is as follows:

(i) Property, plant and equipment - differences in estimates of the remaining useful lives, differences in capitalisation principles, different cost basis;

(ii) Inventories - differences in inventories valuation models and the periods of recognition;

(iii) Trade and other payable - differences in valuation and recognition principles;

(iv) Trade and other receivables - differences in valuation principles, including allowances for doubtful receivables, differences in the period of recognition;

(v) Interest-bearing loans and borrowings - differences in the period of recognition.

As at 31 December 2013 the deferred tax asset of UAH 33,565 thousand (2012: UAH 13,587 thousand) has not been recognised because realisation of this asset was uncertain.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

16. Cost of sales

	2013	2012
	UAH 000	*UAH 000*
Materials, maintenance, fuel, gas and electricity	339,720	-
Depreciation and amortisation	171,014	-
Personnel costs	46,096	-
Taxes on geological surveys and stripping levy	46,065	-
Changes in the balances of work in progress and finished goods	(177,806)	-
	425,089	-

17. Other income

	2013	2012
	UAH 000	*UAH 000*
Income from operating lease (Note 4)	2,655	2,554
Net gain on sale of inventories	2,633	1,742
Gain on disposal of property, plant and equipment	1,796	-
Services provided	-	217
Other income	475	814
	7,559	5,327

18. General and administrative expenses

	2013	2012
	UAH 000	*UAH 000*
Personnel costs	31,191	23,021
Depreciation and amortisation	6,666	3,219
Vehicles maintenance and fuel	5,859	4,761
Consulting and other professional fees	3,292	1,320
Business trip expenses	2,455	1,273
Office supplies	1,618	1,889
Other	2,913	2,006
	53,994	37,489

19. Other expenses

	2013	2012
	UAH 000	*UAH 000*
Net loss on sale and write-off of PPE	22,783	6,927
Charity	8,182	9,379
Change in allowance for bad debts	3,265	8,267
Depreciation and amortisation	2,490	2,711
Fines and penalties	2,601	4
Personnel costs	1,861	1,064
Taxes other than income tax	403	1,111
Transportation	371	209
Trip tickets	209	-
Net loss on sale of inventories	-	31
Other	5,201	3,120
	47,366	32,823

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

20. Finance income and finance costs

	2013	2012
	UAH 000	*UAH 000*
Finance income		
Interest income (Note 4)	3,122	1,209
Income from guarantees (Note 4)	930	1,264
Other finance income	1,274	364
	5,326	2,837
Finance costs		
Interest expenses on loans	72,432	6,529
Other finance costs	5,706	3,433
	78,138	9,962

21. Foreign exchange gain, net

	2013	2012
	UAH 000	*UAH 000*
Foreign exchange (loss)/gain relating to loans and borrowings	(4,306)	(1,420)
Foreign exchange (loss)/gain relating to cash and short-term deposits	(104)	165
Foreign exchange gain relating to accounts payable	(7)	717
Foreign exchange (loss)/gain relating to accounts receivable	-	(1,200)
Net (loss)/gain on currency purchase/sale	4,169	2,353
	(248)	615

22. Commitments and contingencies

Commitments

As at 31 December the Company's commitments for purchase of property and equipment comprised:

	2013	2012
	UAH 000	*UAH 000*
Ferrexpo Group entities (Note 4)	925	7,451
Other related parties (Note 4)	8,001	112,684
Third parties	117,772	270,876
	126,698	391,011

Guarantees issued to secure debts of Ferrexpo Group entities

In 2010 the Company issued guarantees to secure debts of Ferrexpo Group entities located outside Ukraine, which attracted financing from foreign banks. Further details are provided in Note 4.

Leases

The Company had entered into a non-cancellable agreement to lease a plot of land related to exploration of ore deposit from OJSC Ferrexpo Poltava Mining. The lease term equals forty-four years. The minimum lease payments are summarised below:

	2013	2012
	UAH 000	*UAH 000*
In less than one year	13,573	6,212
From one to five years	54,291	24,849
More than five years	529,761	257,786
	597,625	288,847

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

22. Commitments and contingencies *(continued)*

Tax and other regulatory compliance

Ukrainian legislation and regulations regarding taxation and customs continue to evolve. Legislation and regulations are not always clearly written and are subject to varying interpretations and inconsistent enforcement by local, regional and national authorities, and other Governmental bodies. Instances of inconsistent interpretations are not unusual. The uncertainty of application and the evolution of Ukrainian tax laws, including those affecting cross-border transactions, create a risk of additional tax payments having to be made by the Group, which could have a material effect on the Group's financial position and results of operations. This includes also a new transfer pricing law which significantly increased the power of the tax authorities.

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

At the same time there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome.

Dispute with the Ukrainian tax authorities

VAT receivable amounting to UAH 440,135 thousand outstanding at 31 December 2013 and corresponding penalties of UAH 104,330 thousand are in the process of being considered by the Ukrainian court system in several different cases. Management believes that the claims have little legal merit and thus expects to ultimately receive positive court decisions for these ongoing court proceedings (Note 6).

23. Fair values of financial instruments

Set out below is the comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount			Fair value		
	2013	2012	2011	2013	2012	2011
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*
Financial assets						
Accounts receivable	255,081	9,003	8,235	255,081	9,003	8,235
Cash and short-term deposits	322,424	57,544	79,645	322,424	57,544	79,645
Financial liabilities						
Interest-bearing loans and borrowings	1,866,686	1,334,710	607,879	1,785,018	1,359,797	607,879
Trade and other payables, excluding taxes and payroll payables	344,079	339,325	299,233	344,079	339,325	299,233
Guarantees issued	2,183	3,475	5,986	2,183	3,475	5,986

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

In assessing the fair value of financial instruments, the Company uses a variety of methods and makes assumptions based on market conditions existing at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

23. Fair values of financial instruments *(continued)*

The carrying values of financial assets and liabilities with a maturity of less than one year, less any estimated credit adjustments, are assumed to be their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

24. Financial risk management objectives and policies

The risk management policies and procedures are centralised at the level of Ferrexpo Group. The Board of Directors of Ferrexpo Group has overall responsibility for establishment and oversight of Ferrexpo Group's risk management framework. The risk management policies of Ferrexpo Group are established to identify and analyse the risks faced, to set appropriate limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of Ferrexpo Group.

The Audit Committee of Ferrexpo Group oversees how management monitors compliance with policies and procedures and reviews the adequacy of risk management framework in relation to risks faced. The Audit Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO of Ferrexpo Group.

Ferrexpo Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board. The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new commercial or financial transactions that create a financial risk. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board approved Treasury Policy.

Risk management program of the Company focuses mainly on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Financial instrument risk exposure and management

The Company's principal financial instruments comprise interest-bearing loans and borrowings, cash and short-term deposits, accounts receivable, accounts payable and financial guarantees issued which arise directly from its operations. Derivative transactions may be used for risk mitigating purposes only – speculation is not permitted under the approved Treasury Policy. The Company has not entered into any material derivative transactions.

The main risks arising from the Company's financial instruments are foreign currency risk, liquidity risk, credit risk and interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; translation-related risks are not taken into consideration.

In common with many other businesses in Ukraine, foreign currencies, in particular the US dollar ("USD"), play a significant role in the underlying economics of the business transactions of the Company. As at 31 December 2013, the exchange rate of Ukrainian hryvnia ("UAH") as established by the National Bank of Ukraine was 7.99 to the US dollar (2012: UAH 7.99 to 1 US dollar).

Interest-bearing loans and borrowings and accounts payable denominated in USD and EUR give rise to foreign exchange exposure. The Company has not entered into transactions designed to hedge against these foreign currency risks.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

24. Financial risk management objectives and policies *(continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Company's profit before tax.

2013	**Increase/ (decrease) in rate**	**Effect on profit before tax**
		UAH 000
UAH/USD	30%	(504,396)
UAH/USD	(5)%	84,066
UAH/EUR	30%	(44,500)
UAH/EUR	(5)%	7,417

2012	**Increase/ (decrease) in rate**	**Effect on profit before tax**
		UAH 000
UAH/USD	7.10%	(106,959)
UAH/USD	(7.10)%	106,959
UAH/EUR	12.67%	(4,907)
UAH/EUR	(12.67)%	4,907

Liquidity risk

The Company's objective is to maintain continuity and flexibility of funding through the use of extended credit terms provided by its related parties. Ferrexpo Group centrally monitors its cash flow requirements and optimises cash flows between the subsidiaries. In the case of insufficient or excessive liquidity in individual entities, resources and funds are relocated among Ferrexpo Group entities to achieve optimal financing of the business needs of each entity.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

2013	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*
Interest-bearing loans and borrowings	51,028	1,693,648	224,077	22,441	1,991,194
Trade and other payables, excluding taxes and payroll payables	344,079	-	-	-	344,079
Guarantees issued	200	599	1,384	-	2,183
	395,307	1,694,247	225,461	22,441	2,337,456

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

24. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

2012	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	UAH 000	*UAH 000*	*UAH 000*	*UAH 000*	*UAH 000*
Interest-bearing loans and borrowings	45,360	128,731	1,438,610	101,949	1,714,650
Trade and other payables, excluding taxes and payroll payables	339,325	-	-	-	339,325
Guarantees issued	233	698	2,544	-	3,475
	384,918	129,429	1,441,154	101,949	2,057,450

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments, which potentially subject to the significant concentrations of credit risk consist principally of cash in bank and accounts receivable. The Company's maximum exposure to credit risk at the reporting dates is the carrying value of each class of financial assets as mentioned in Note 23.

The Company's cash is primarily held with a Ukrainian bank related to the Company (Note 4).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's interest-bearing loans and borrowings with floating interest rates. The Company's policy is to manage its interest cost using, where possible, a mix of fixed and variable rate debts. Management monitors the market interest rate with sufficient regularity to minimise the Company's exposure to interest rate risk.

The following tables demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Company's profit before tax as at 31 December.

2013	Increase/ (decrease) in basis points	Effect on profit before tax
		UAH 000
Change in interest rate (EURIBOR)	0.14%	(109)
Change in interest rate (EURIBOR)	(0.14)%	109

2012	Increase/ (decrease) in basis points	Effect on profit before tax
		UAH 000
Change in interest rate (EURIBOR)	0.16%	(75)
Change in interest rate (EURIBOR)	(0.16)%	75

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

24. Financial risk management objectives and policies *(continued)*

Capital risk management

The Company considers participants' contributions, trade payables due to and loans from Ferrexpo Group as primary capital sources. In 2013 and 2012, the Company received finance mainly from Ferrexpo Group.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide financing of its operating requirements, capital expenditures and the Company's development strategy. The Company's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Company's access to capital markets.

	2013	2012	2011
	UAH 000	*UAH 000*	*UAH 000*
Interest-bearing loans and borrowings (Note 4, 11)	1,866,686	1,334,710	607,879
Trade and other payables, excluding taxes and payroll payables (Note 14)	344,079	339,325	299,233
Cash and short-term deposits (Note 10)	(322,424)	(57,544)	(79,645)
Net debt	1,888,341	1,616,491	827,467
Net assets attributable to participants	3,218,011	2,343,735	1,698,154
Net assets attributable to participants and net debt	5,106,352	3,960,226	2,525,621

Management monitors on a regular basis the Company's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

25. Events after the reporting period

As at the date of issue of these financial statements, the participants of the Company fully paid capital which was unpaid as at 31 December 2013.

In January 2014 the Company concluded a loan agreement for the total amount of USD 14,597 thousand with a foreign bank. The loan is denominated in USD, bears interest of 2.822% p.a. and matures in November 2019. The loan is secured with equipment and mining vehicles and free of charge guarantees provided by Ferrexpo Group entities.

In February 2014 the Company purchased from JSC Stakhanov rail-car plant 300 rail-cars for USD 15,900 thousand.

From 1 January 2014 to 31 March 2014, the Ukrainian Hryvnia devaluated by approximately 37% compared to the US Dollar; from 7.993 as at 31 December 2013 to 10.955 as at the date of issue of the financial statements.

In April 2014, the Tax Code was changed and a single tax rate of 18% shall be applied from 1 January 2014 and thereafter. This change will affect current and deferred income tax of the further reporting periods.