LLC Ferrexpo Yeristovo Mining

Financial Statements
and Independent Auditor's Report
for the Year Ended 31 December 2018

LLC FERREXPO YERISTOVO MINING

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LLC FERREXPO YERISTOVO MINING

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Limited Liability Company Ferrexpo Yeristovo Mining (the "Company") as of 31 December 2018 and the results of its operations, cash flows and changes in net assets attributable to participants for the year then ended, in compliance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- Making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRSs as adopted by the EU;
- Maintaining statutory accounting records in compliance with Ukrainian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2018 were approved by management on 26 April 2019.

On behalf of management:

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

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INDEPENDENT AUDITOR'S REPORT

To the Participants of LLC Ferrexpo Yeristovo Mining:

Opinion

We have audited the financial statements of Limited Liability Company Ferrexpo Yeristovo Mining (the "Company"), which comprise the statement of financial position as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 ("IFRSs as adopted by the EU").

Basis for Opinion

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

Emphasis of Matter

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the financial statements

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

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

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

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

PISC Deloitte & Touche USC

26 April 2019

LLC FERREXPO YERISTOVO MINING

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018
In Ukrainian Hryvnias and in thousands

	Notes	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	5	6,197,193	5,639,525
Intangible assets		63,382	35,594
Inventories	8	408,891	267,374
Income tax prepaid		-	151,817
Deferred income tax asset	15	165,240	538,673
Prepayments and other assets	7	9,481	-
Total non-current assets		**6,844,187**	**6,632,983**
Current assets			
Inventories	8	531,077	273,463
Accounts receivable	9	2,845,641	1,457,801
Prepayments and other assets	7	52,985	34,236
Value added tax and other taxes receivable	6	359,083	127,617
Cash and short-term deposits	10	352,688	60,804
Total current assets		**4,141,474**	**1,953,921**
Assets held for sale		-	39
Total assets		**10,985,661**	**8,586,943**
Net assets attributable to participants		5,397,056	2,749,265
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	11	-	111,470
Provision for site restoration	12	15,370	22,961
Defined benefit liability	13	24,021	21,458
Total non-current liabilities		**39,391**	**155,889**
Current liabilities			
Interest-bearing loans and borrowings	11	4,908,741	5,264,666
Trade and other payables	14	619,905	417,123
Income tax payable		20,568	-
Total current liabilities		**5,549,214**	**5,681,789**
Total liabilities		**10,985,661**	**8,586,943**

Signed and authorised for release on behalf of LLC Ferrexpo Yeristovo Mining on 26 April 2019:

General Director — Nikolay Goroshko

Finance Director — Vladimir Leonov

Chief Accountant — Lyudmila Zakharchenko

The accompanying notes on pages from 8 to 46 form an integral part of these financial statements.

LLC FERREXPO YERISTOVO MINING

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
In Ukrainian Hryvnias and in thousands

	Notes	2018	2017
Revenue	16	9,132,509	6,480,414
Cost of sales	17	(4,786,594)	(3,603,679)
Gross profit		**4,345,915**	**2,876,735**
Other income	18	100,047	123,939
General and administrative expenses	19	(144,107)	(92,370)
Selling and distribution expenses	20	(909,907)	(646,855)
Other expenses, net	21	(134,463)	(111,328)
Finance costs	22	(287,070)	(363,775)
Foreign exchange gain/(loss), net	23	73,821	(87,080)
Profit before tax		**3,044,236**	**1,699,266**
Income tax (expense)/benefit	15	(545,818)	536,062
Profit for the year		**2,498,418**	**2,235,328**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain/(loss) on defined benefit plans	13	1,650	(14,513)
Income tax effect	15	-	2,612
Other comprehensive income/(loss) for the year, net of tax		**1,650**	**(11,901)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,500,068**	**2,223,427**

The accompanying notes on pages from 8 to 46 form an integral part of these financial statements.

LLC FERREXPO YERISTOVO MINING

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
In Ukrainian Hryvnias and in thousands

	Notes	2018	2017
Operating activities			
Profit before income tax		3,044,236	1,699,266
Adjustments:			
Depreciation and amortisation	5	454,466	307,350
Finance costs	22	287,070	363,775
Allowance for doubtful debts	21	2,659	1,377
Allowance for obsolete inventory	21	1,402	16,570
Recognition of surpluses of iron ore pellets	18	(37,990)	(48,005)
Write-off of VAT on prepayments	21	-	17,388
Defined employee benefits costs/(benefit)	13	1,909	(4,263)
Foreign exchange (gain)/loss, net	23	(73,855)	86,497
Gain on disposal of property, plant and equipment and intangible assets	21	(8,455)	(2,200)
Working capital adjustments:			
Change in accounts receivable		(1,403,563)	(1,258,146)
Change in prepayments and other assets		(38,476)	(17,860)
Change in taxes recoverable, other than income tax		(231,466)	(93,018)
Change in inventories		(362,543)	6,964
Change in trade and other payables including taxes, other than income tax		215,508	249,573
Cash generated from operating activities		1,850,902	1,325,268
Income tax paid		-	-
Interest paid except amounts capitalized to the cost of non-current assets		(267,179)	(449,653)
Defined employee benefits paid		(372)	(300)
Net cash flows from operating activities		**1,583,351**	**875,315**
Investing activities			
Acquisition of property, plant and equipment		(1,020,064)	(857,729)
Proceeds from disposal of property, plant and equipment		37,391	20,210
Purchase of intangible assets		(37,022)	(6,254)
Capitalised borrowing costs		(36,269)	(62,777)
Net cash flows used in investing activities		**(1,055,964)**	**(906,550)**
Financing activities			
Contributions from participants		147,723	880,853
Repayment of borrowings		(320,135)	(746,028)
Repayment of finance lease liabilities		(62,456)	(56,766)
Net cash flows (used in)/provided by financing activities		**(234,868)**	**78,059**
Net increase in cash and short-term deposits		292,519	46,824
Net foreign exchange difference on cash and short-term deposits		(635)	(712)
Cash and short-term deposits at 1 January	**10**	**60,804**	**14,692**
Cash and short-term deposits at 31 December	**10**	**352,688**	**60,804**

LLC FERREXPO YERISTOVO MINING

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPANTS FOR THE YEAR ENDED 31 DECEMBER 2018

In Ukrainian Hryvnias and in thousands

	Issued capital	Unpaid charter capital	Additional paid-in capital	Remeasure-ment on defined benefit plans	Accumu-lated losses	Net (deficit)/ assets attributable to participants
As at 1 January 2017	**4,857,430**	**(163,379)**	**309,547**	**621**	**(5,359,234)**	**(355,015)**
Profit attributable to participants	-	-	-	-	2,235,328	**2,235,328**
Re-measurement of defined benefit plan	-	-	-	(11,901)	-	**(11,901)**
Total comprehensive income	**-**	**-**	**-**	**(11,901)**	**2,235,328**	**2,223,427**
Capital contribution from participants (Note 4)	649,120	15,692	216,041	-	-	**880,853**
As at 31 December 2017	**5,506,550**	**(147,687)**	**525,588**	**(11,280)**	**(3,123,906)**	**2,749,265**
Profit attributable to participants	-	-	-	-	2,498,418	**2,498,418**
Re-measurement of defined benefit plan	-	-	-	1,650	-	**1,650**
Total comprehensive income	**-**	**-**	**-**	**1,650**	**2,498,418**	**2,500,068**
Capital contribution from participants (Note 4)	1,409,100	(1,261,074)	(303)	-	-	**147,723**
As at 31 December 2018	**6,915,650**	**(1,408,761)**	**525,285**	**(9,630)**	**(625,488)**	**5,397,056**

The accompanying notes on pages from 8 to 46 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Limited Liability Company Ferrexpo Yeristovo Mining (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, Budivelnykiv Str., Horishni Plavni (former Komsomolsk), Poltava region, Ukraine. As at 31 December 2018, the Company employed 1,244 employees (2017: 1,274 employees).

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

	Contribution 2018	%	Contribution 2017	%
Ferrexpo AG (Switzerland)	6,915,581	99.999%	5,506,496	99.999%
Ferrexpo Service LLC (Ukraine)	69	0.001%	54	0.001%
Total	**6,915,650**	**100.000%**	**5,506,550**	**100.000%**

Ferrexpo Service LLC is 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 Ferrexpo Group held by Kostiantyn 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 started extracting first iron ore in the second half of 2012. Currently annual iron ore production is about 12 million ton.

2. OPERATING ENVIRONMENT, RISKS AND ECONOMIC CONDITIONS

General economic conditions

In 2018 year, the Ukrainian economy proceeded recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 3.4% (2017: 2.5%), modest annual inflation of 9.8% (2017: 13.7%), and slight devaluation of national currency by around 2.4% to USD and 8.2% to EUR comparing to previous year averages.

Also Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and a frozen armed conflict with separatists in certain parts of Luhanska and Donetska regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia. As a result, the weight of the Russia's export and import substantially fell from 18.2% and 23.3% in 2014 to around 7.7% and 14.2% in 2018, respectively.

In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the National Bank of Ukraine ("NBU") to promulgate more liberal currency regulation and soften a number of currency restrictions, such as: requirement to register loans obtained from non-residents with the NBU, 180-day term for making payments in foreign economic transactions, required 50% share of mandatory sale of foreign currency proceeds, etc.

Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned reforms, cooperation with the International Monetary Fund ("IMF"), and smooth transition through parliamentary elections, due in October 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

These financial statements are not purported to be filed with Ukrainian regulators, which establish additional requirements to the financial statements, for which purpose the Company prepares a different set of financial statements.

The financial statements are presented in UAH and all values are rounded to the nearest thousand (UAH 000), except where otherwise indicated.

Going concern

In 2018 and 2017, while continuing the development of its production and revenue generating facilities, the Company was profit-making due to the reengineering of intragroup transactions and its net profit for the year comprised UAH 2,498,418 thousand (2017: UAH 2,235,328 thousand). As at 31 December 2018, its current liabilities exceeded current assets by UAH 1,407,740 thousand (2017: UAH 3,727,868 thousand). The excess is primarily attributable to the interest-bearing borrowings of UAH 4,784,532 thousand (2017: UAH 5,009,999 thousand) due to one of Ferrexpo Group entities. The continued availability of such financing in foreseeable future has been confirmed by Ferrexpo plc by declaring a commitment that Ferrexpo Group entities would not require settlement of the outstanding facilities in case such settlement would have a negative impact on the Company's financial position or performance. In addition, in March 2019 the Company prolonged maturity of the loans due to Ferrexpo Group entities. Under amended repayment schedule, these loans are due by the end of March 2020 (Note 27).

Accordingly, the financial statements have been prepared on a going concern basis. This basis of preparation presumes that the Company will be able to realise its assets and discharge its liabilities in the ordinary course of business.

Changes in accounting policies and disclosures

Adoption of new and revised International Financial Reporting Standards

In 2018, the Company adopted all new and revised Standards issued by International Accounting Standards Board (the "IASB") and Interpretations issued by International Financial Reporting Standards Interpretation Committee ("IFRIC") that are relevant to its operations and mandatorily effective for annual reporting periods that begin on or after 1 January 2018:

- IFRS 9 *Financial Instruments*;
- IFRS 15 *Revenue from Contracts with Customers* (and the related Clarifications);
- Amendments to IFRS 2 *Share-Based Payment – Classification and measurement of share-based payment transactions*;
- Amendments to IAS 40 *Investment Property – Transfers of investment property*;
- Interpretation of IFRIC 22 *Foreign Currency Transactions and Advance Consideration*;
- Annual Improvements to IFRS for the period 2014–2016.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The new standard replaces IAS 39 and includes a new expected credit loss impairment model, changes to the classification and measurement requirements of financial assets and financial liabilities as well as to hedge accounting. Additionally, the Company adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period.

The impact from the application of IFRS 9 on the Company's financial statements is predominantly related to the expected credit loss impairment model as the new standard established a new approach for the assessment of accounts receivable balances with a focus on the risk of default in the future rather than based on incurred losses in the past. Classification and measurement of financial instruments is unchanged on application of the new standard and the Company does not intend to apply hedge accounting under IFRS 9.

The application of IFRS 9 has not had a significant impact on the financial position and/or financial performance of the Company as almost all accounts receivable are due from related parties and there was no history of significant payment delays.

Impact of application of IFRS 15 Revenue from Contracts with Customers

The Company applied IFRS 15 *Revenue from contracts with customers*, as amended in April 2016, for the first time as of 1 January 2018. The Company, in accordance with the transition provisions set out in IFRS 15, elected to apply the modified retrospective method, under which comparative financial information is not restated. The new standard establishes the principles for the disclosure of useful information in the financial statements about the nature, amount, timing and uncertainties of revenue and cash flows arising from contracts with customers.

Under IFRS 15 the revenue recognition model changed from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company's accounting policies for its revenue streams are disclosed in detail in this note below. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

The adoption of amendments to standards did not have any effect on the financial position or performance reported in the financial statements.

Except the impact of IFRS 9 and IFRS 15 there were no any significant changes to the Company's accounting policies.

New Standards and Interpretations in issue but not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations, as well as amendments to the Standards were in issue but not yet effective:

Standards and Interpretations	Effective for annual period beginning on or after
IFRS 16 *Leases*[1]	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*[1]	1 January 2019
Amendments to IFRSs – Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IFRS 9 *Financial Instruments* – Prepayment Features with Negative Compensation[1]	1 January 2019
Amendments to IAS 28 *Investments in Associates and Joint Ventures* – Long-term Interests in Associates and Joint Ventures[1]	1 January 2019
Amendments to IAS 19 *Employee Benefits* - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to IFRS 3 *Business Combinations* – Definition of a Business	1 January 2020
Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

[1] Standards have been already endorsed for use in the European Union

The Company has elected not to early adopt any revised and amended standards or interpretations, which are not yet mandatory in the EU.

The standards and interpretations below could have an impact on the financial statements of the Company.

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ("lessee") and the supplier ("lessor"). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17. Instead, it introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Currently, The Company leases land and buildings under operating leases. The vast majority of these operating leases are for land used for the extraction of ore. The Company expects that the new standard will primarily result in the recognition of right-of-use assets and liabilities in respect of the long-term rental contracts for land not used for the direct extraction of ore as well as for leased equipment. This new standard applies to annual reporting periods beginning on or after 1 January 2019 and the Company does not intend to early adopt this standard. The Company is planning to use the lease determination provisions and related interpretations described in IFRS 16 to all leases concluded or modified on or after 1 January 2019, irrespective of whether it acts as a lessor or lessee under the lease contract. The Company's management is currently completing to estimate the effect IFRS 16 on the Company's business, but it does not anticipate that the adoption of IFRS 16 will have a material effect on the Company's financial position and/or financial performance.

IFRIC 23 Uncertainty over income tax treatments

The interpretation was issued in June 2017 and clarifies the accounting treatment for uncertainties in income taxes. The new interpretation is to be applied to the determination of taxable results, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*, and becomes effective for financial years beginning on or after 1 January 2019 subject to EU endorsement. The Company is in the process of performing the impact assessment and does not intend to early apply the new interpretation.

The Company does not expect an impact on its financial statements from all other standards, interpretations and amendments issued at the reporting date, but not yet to be adopted for these financial statements.

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 revenues, 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.

Restricted cash and deposits

On 17 September 2015, the National Bank of Ukraine ("the NBU") announced that it had adopted a decision to declare the Company's transactional bank and a related party Bank Finance & Credit insolvent and the bank was put into temporary administration by the Deposit Guarantee Fund. The banking license was revoked by the NBU on 17 December 2015 and the bank's liquidation procedure was initiated by the Deposit Guarantee Fund. The total balance of cash and deposits held at Bank Finance & Credit became no longer available to the Company and, therefore, has been reclassified from cash and short-term deposits to restricted cash and deposits.

It is expected that the liquidation of the bank will take several years and the level of potential recoverability of UAH 291,636 thousand in restricted cash and deposits is still uncertain as at 31 December 2018. A full allowance for the balance was recorded. Please see Note 7 and Note 24 for further information.

Operating lease commitments – Company as a lessor

The Company leases out its equipment to Ferrexpo Poltava Mining ("FPM"). 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.

Capitalised stripping costs

Overburden and other mine waste materials have to be removed prior to the production of the mine in order to gain access to the iron ore body. These activities are referred to as pre-production stripping costs and are capitalised as part of cost of assets under construction. The distinction whether the costs are related to pre-production or production stripping costs has to be made based on the approved mine plan. In case of any significant subsequent changes to the mine plan, the accounting treatment should be re-assed and the capitalised costs accordingly adjusted. Production stripping costs are capitalised when the stripping activities in the production phase of a mine result in improved access to components of the ore body.

An important area of judgement is the distinction between the pre-production and production phase of the components of the ore body and the allocation of the production stripping costs to the components of the ore body or the inventory produced. The identification of components of a mine's ore body is made by reference to the respective life of mine plan, which depends on a range of factors, including price of iron ore, the cost of extraction and mine's specific operational feature. As at 31 December 2018, the carrying amount of capitalised pre-production stripping costs included in assets under construction amounted to UAH 625,239 thousand (2017: UAH 343,337 thousand).

Weathered ore

Weathered or so called "soft" ore has the same Fe content as the normal ore, while its physical state is softer. The Ferrexpo Group has one processing plant. With the current processing facilities, FPM cannot produce pellets from "soft" grade ore due to the reason the clay clogs crushing equipment. Due to its physical characteristics it can be used in production with normal ore in dry weather conditions only.

It is the Company's intention to process weathered ore. Based on the Company's current processing plans it is not expected that the whole volume of weathered ore stockpiled will be processed within the next year. As a consequence, the Company estimated amounts to be sold within 12 months from the reporting date, and the remaining balance is classified as non-current in the Company's statement of financial position as at 31 December 2018.

As at 31 December 2018, weathered ore is valued at cost and the calculated net realizable value is above the expected cost if converted into pellets or concentrate. A potential trigger for any future impairment would be any change to the Company's plans in respect of the construction of a processing plant or the completion of the capacity upgrade program at FPM.

Deferred tax assets recoverability

The Company's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those arising from tax losses carried forward and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the expected generation of suffcient future taxable profits. A deviation between expected and effective future taxable profits may have an adverse impact on the recognised deferred tax balances in the financial statements of the Company.

Assumptions about the generation of expected future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions. Judgments are also required in the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of recognised deferred tax balances in the financial statement of the Company and the amounts of temporary differences not yet recognised. In such circumstances, some, or all, of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income. As at 31 December 2018, the Company's financial statements showed deferred tax assets of UAH 165,240 thousand (2017: UAH 538,673 thousand). See also Note 15 for further information.

Estimates

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.

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 experts 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. The last estimate of reserves and resources was made in 2013 by independent specialists. Additionally, certified internal geologist annually performs estimation of resources based on changed economic assumptions.

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, requirements of the legal and regulatory framework, inflation and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each 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 provisions for site restoration are given 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, life expectancy, staff turnover 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 active market for corporate bonds in Ukraine. Due to the long-term nature of these plans, the estimates are subject to significant uncertainty. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. At 31 December 2018, the carrying amount of defined benefit liability was UAH 24,021 thousand (2017: UAH 21,458 thousand). Detailed disclosure is made in Note 13.

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 24.

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, which is also the Company's presentation currency. 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 by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency official rate of exchange of National Bank of Ukraine ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in 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.

Financial instruments

The Company changed its accounting policy in respect of financial instruments according to IFRS 9 that is effective for an annual period that begins on or after 1 January 2018.

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities of the Company are represented by cash and cash equivalents, accounts receivable, interest-bearing loans and borrowings, finance lease liability, trade and other payables.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost (this category is the most relevant to the Company):

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For accounts receivable, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Low credit risk financial instruments

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default;
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Default definition

The Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade accounts receivable, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate.

Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings, and finance lease liability.

All financial liabilities are recognised initially at fair value and are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost at the date of transition to IFRS (hereinafter referred to as "the cost") net of accumulated depreciation and accumulated impairment losses, if any.

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 depreciate them accordingly. 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.

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.

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. Changes in the estimates, which affect unit of production calculations, are accounted for prospectively. Depreciation commences on the month following the date of putting the item into operation. Freehold land is not depreciated.

Except for mining assets and tailing storage assets, which are depreciated using the unit of production method, 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

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. 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 statement of comprehensive income when the item is derecognised.

Construction in progress and uninstalled equipment

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 of property, plant and equipment. 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 Company can identify the component of the ore body for which access has been improved;
- 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 including licences necessary to carry out these works 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 licenses 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.

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.

Capitalised 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 not demonstrable. Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognised, before reclassification to development expenditure.

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 licenses, 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 license on iron ore extraction and computer software, which are amortised on a straight-line basis over the estimated useful life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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.

Borrowing costs may include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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 or cash-generating unit's recoverable amount. An asset's recoverable amount is the higher of the asset's or the CGU's fair value less CGU's 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 calculating 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 write-down of obsolete inventories, are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets 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 CGU'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, or 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 statement of comprehensive income.

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 as follows:

- Raw materials – purchase cost on a first-in, first-out basis;
- Finished goods and work in progress – weighted-average cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

If the iron ore stock pile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow 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. If there is net deficit, participants have no legally binding obligation to replenish the deficit as under certain conditions may opt for liquidation. Therefore, net deficit attributable to participants is classified as equity.

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

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 statement of comprehensive income 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 are recognised immediately in the statement of financial position with a corresponding debit or credit to remeasurement on defined benefit plans reserve through other comprehensive income 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.

Interest is calculated by applying the discount rate to the defined benefit liability. The Company recognises service cost within cost of sales and interest expense within finance costs. Service costs comprise current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

Environmental liabilities

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

Immediate provision, if any, 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 recognise 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. The arrangement is assessed for whether 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 or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income 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 measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue from contracts with customers is recognized when all of the following conditions are satisfied:

- The parties have approved the contract and are committed to perform their respective obligations;
- The Company can identify each party’s rights regarding the goods and services to be transferred;
- The Company can identify the payment terms for the goods and services to be transferred;
- The contract has commercial substance (i.e. the risk, timing, or amount of the future cash flows is expected to change as a result of the contract); and
- It is probable the Company will collect the consideration to which it will be entitled in exchange of the goods or services to be transferred to a customer.

The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from rendering of services is recognised as a performance obligation satisfied over time. Revenue is recognised based on the stage of completion of the contract.

Sale of goods

Revenue is recognised when the control of the goods has passed to the buyer and can be reliably measured. The control of goods passes when title for the goods passes to the customer as determined by the terms of the sales agreement. Typically, sales are made on FOB (Free on Board), or and DAP (Delivered at Place) terms. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Other income recognition

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 in the statement of comprehensive income.

Rental income

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

Cost of sales and other expense recognition

Cost of sales that relates to the same transaction is recognised simultaneously with respective revenue. Expenses including warranties and other costs which are to be incurred after the shipment of goods and can be measured reliably are also recognised.

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 recognised on temporary differences at the reporting date between the tax bases of assets and liabilities used in the computation of taxable profit 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;
- 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;
- 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 by the end of the reporting period.

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.

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 recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows relating to investing and financing activities are stated net of VAT, if applicable.

Reclassifications and revisions

Certain comparative information presented in the financial statements for the year ended 31 December 2017 has been revised in order to achieve comparability with the presentation used in the financial statements for the year ended 31 December 2018. Such reclassifications and revisions were not significant to the Company's financial statements.

4. RELATED PARTY DISCLOSURE

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

2018	Parent	Other Ferrexpo Group entities	Other related parties	Total
Accounts receivable	256,336	2,577,824	1,296	**2,835,456**
Prepayments and other current assets	-	36	-	**36**
Interest-bearing loans and borrowings	-	4,798,288	-	**4,798,288**
Payables for materials and services	-	396,373	2,995	**399,368**

2017	Parent	Other Ferrexpo Group entities	Other related parties	Total
Accounts receivable	38,169	1,419,173	1,151	**1,458,493**
Interest-bearing loans and borrowings	-	5,027,793	-	**5,027,793**
Payables for materials and services	-	258,687	16,914	**275,601**

In 2018 and 2017, the Company's transactions with its related parties were as follows:

2018	Parent	Other Ferrexpo Group entities	Other related parties	Total
Sales of iron ore pellets	1,419,253	7,039,710	-	**8,458,963**
Sales of iron ore	-	244,954	-	**244,954**
Sales of services and other materials	-	428,527	-	**428,527**
Purchases of materials and services	-	3,441,990	25,407	**3,467,397**
Capitalised borrowing costs	-	36,269	-	**36,269**
Selling and distribution expenses	-	177,828	242,276	**420,104**
General and administrative expenses	-	7,526	416	**7,942**
Other income	-	40,772	-	**40,772**
Other expenses	-	-	2,915	**2,915**
Gain on disposal of property, plant and equipment	-	3,676	-	**3,676**
Finance costs	-	254,852	1,051	**255,903**

2017	Parent	Other Ferrexpo Group entities	Other related parties	Total
Sales of iron ore pellets	282,904	5,636,819	-	**5,919,723**
Sales of iron ore	-	515,257	-	**515,257**
Sales of services and other materials	-	122,898	-	**122,898**
Purchases of materials and services	-	2,422,513	1,399	**2,423,912**
Capitalised borrowing costs	-	62,777	-	**62,777**
Selling and distribution expenses	-	413,190	227,212	**640,402**
General and administrative expenses	-	555	2,496	**3,051**
Other expenses	-	394	25	**419**
Finance costs	-	328,780	551	**329,331**

Revenue, trade and other receivables

In 2018, the Company sold iron ore to FPM of UAH 244,954 thousand, iron ore pellets to Ferrexpo Middle East of UAH 7,039,710 thousand and Ferrexpo AG of UAH 1,419,253 thousand (2017: UAH 515,257 thousand, UAH 5,636,819 thousand and UAH 282,904 respectively).

Related accounts receivable were non-interest bearing and recoverable in 30-60 days.

Interest-bearing loans and borrowings

In 2012, the Company obtained a USD 100,000 thousand unsecured loan facility from a Ferrexpo Group entity. In 2014, the facility was extended up to USD 450,000 thousand. As at 31 December 2018, principal of USD 172,800 thousand which is equivalent to UAH 4,784,532 thousand (2017: USD 178,500 thousand or UAH 5,009,999 thousand) was outstanding. The facility is denominated in USD and bears interest of 5.75% (2017: 7.5%). In March 2019 the Company prolonged maturity of the facility due to Ferrexpo Group entity for one year – till the end of March 2020.

In 2018, the related borrowing costs of UAH 36,269 thousand (2017: UAH 62,777 thousand) were capitalised as a part of qualifying assets (Note 5).

Cash and short-term deposits

As at 31 December 2018 and 2017, cash and short-term deposits of UAH 291,636 thousand were placed with a Bank Finance & Credit (Note 7).

The Company had transactional banking arrangements with Bank Finance & Credit which was controlled by Kostiantyn Zhevago.

On 17 December 2015, Bank F&C was declared insolvent and its license was revoked by decision of the Board of the National Bank of Ukraine. The Company impaired in full the balance with Finance & Credit totalling UAH 291,636 thousand.

Capital contribution from participants

In 2018 the Company increased its authorized capital by UAH 147,723 thousand (2017: UAH 880,853 thousand) by making additional contributions by the participants of the Company (Ferrexpo AG and Ferrexpo Services).

Compensation to key management personnel

Key management personnel comprise members of the Board of Directors and top management of the Company, totalling five persons as at 31 December 2018 (2017: seven persons). In 2018, total compensation to key management personnel included in administrative expenses amounted to UAH 11,647 thousand (2017: UAH 7,050 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:

	2018	2017
Property, plant and equipment	6,103,466	5,616,423
Prepayments for property, plant and equipment	93,727	23,102
Total	**6,197,193**	**5,639,525**

Movement of property, plant and equipment was as follows:

2018	Land	Mining assets	Buildings	Plant and equipment	Vehicles	Fixture and fittings	Construction in progress and uninstalled equipment	Total
Cost								
As of 31 December 2017	**2,397**	**4,166,632**	**749,515**	**987,154**	**870,934**	**42,312**	**866,809**	**7,685,753**
Additions	-	-	41,930	144,021	196,826	7,746	614,423	1,004,946
Transfers	-	-	53,995	7,344	-	99	(61,438)	-
Disposals and write offs	-	-	(22,182)	(35,380)	(24,194)	(467)	(3,414)	(85,637)
As of 31 December 2018	**2,397**	**4,166,632**	**823,258**	**1,103,139**	**1,043,566**	**49,690**	**1,416,380**	**8,605,062**
Accumulated depreciation								
As of 31 December 2017	**-**	**666,667**	**203,840**	**579,318**	**600,269**	**19,236**	**-**	**2,069,330**
Depreciation charge	-	140,584	56,754	130,139	156,400	5,237	-	489,114
Disposals	-	-	(11,827)	(32,821)	(11,848)	(352)	-	(56,848)
As of 31 December 2018	**-**	**807,251**	**248,767**	**676,636**	**744,821**	**24,121**	**-**	**2,501,596**
Net book value								
31 December 2017	**2,397**	**3,499,965**	**545,675**	**407,836**	**270,665**	**23,076**	**866,809**	**5,616,423**
31 December 2018	**2,397**	**3,359,381**	**574,491**	**426,503**	**298,745**	**25,569**	**1,416,380**	**6,103,466**

2017	Land	Mining assets (As restated, Note 5)	Buildings	Plant and equipment	Vehicles	Fixture and fittings	Construction in progress and uninstalled equipment (As restated, Note 5)	Total
Cost								
As of 31 December 2016	**2,397**	**1,741,101**	**697,273**	**941,433**	**794,347**	**35,276**	**2,464,124**	**6,675,951**
Additions	-	-	45,573	34,154	35,515	6,589	928,700	1,050,531
Transfers	-	2,425,531	22,842	13,008	53,481	1,890	(2,516,752)	-
Disposals and write offs	-	-	(16,173)	(1,441)	(12,409)	(1,443)	(9,263)	(40,729)
As of 31 December 2017	**2,397**	**4,166,632**	**749,515**	**987,154**	**870,934**	**42,312**	**866,809**	**7,685,753**
Accumulated depreciation								
As of 31 December 2016	**-**	**532,312**	**167,664**	**467,371**	**495,273**	**13,997**	**-**	**1,676,617**
Depreciation charge	-	134,355	46,589	113,182	114,668	6,643	-	415,437
Disposals	-	-	(10,413)	(1,235)	(9,672)	(1,404)	-	(22,724)
As of 31 December 2017	**-**	**666,667**	**203,840**	**579,318**	**600,269**	**19,236**	**-**	**2,069,330**
Net book value								
31 December 2016	**2,397**	**1,208,789**	**529,609**	**474,062**	**299,074**	**21,279**	**2,464,124**	**4,999,334**
31 December 2017	**2,397**	**3,499,965**	**545,675**	**407,836**	**270,665**	**23,076**	**866,809**	**5,616,423**

Subsequent to the issuance of the financial statements as at 31 December 2017 and for the year then ended, the Company identified an error in disclosure of movement between Construction in progress and uninstalled equipment (CIP) and Mining assets. In particular, in 2017 the Company began extraction of ore from the second stage of the mine and presented UAH 499,308 thousand (as previously reported) of related costs as transfer from CIP to Mining assets while correct amount that had to be presented as transfer between these two groups is UAH 2,425,531 thousand (as restated). This error had no effect on depreciation charge of Mining assets in the years ended 31 December 2017 and 31 December 2018. Thus, comparative information presented in this disclosure for the year ended 31 December 2017 has been revised as follows:

- Transfers during 2017 from CIP to Mining assets were increased by UAH 1,926,223 thousand;
- Balance of CIP was decreased and balance of Mining assets was increased as at 31 December 2017 by UAH 1,926,223 thousand.

Equipment held under finance lease agreement

As at 31 December 2018, equipment and vehicles with carrying value totalling UAH 34,021 thousand (2017: UAH 41,561 thousand) was held under finance lease agreement.

Capitalised borrowing costs

In 2018, borrowing costs of UAH 36,269 thousand relating to qualifying assets were capitalised (2017: UAH 62,777 thousand) using capitalisation rate of 6.09% (2017: 7.50%). These borrowing costs were fully paid and presented within investing activities in the statement of cash flows.

Capitalised depreciation

In 2018, UAH 43,735 thousand of depreciation charge was capitalised in the cost of the mine construction (2017: UAH 112,472 thousand). It has been presented as non-cash movement in the statement of cash flows.

Pledged assets

As at 31 December 2018, equipment and mining vehicles with a carrying value of UAH 165,515 thousand (2017: UAH 214,988 thousand) were pledged as security under the Company's liabilities.

Fully depreciated assets

As at 31 December 2018 property, plant and equipment included plant and equipment at cost of UAH 346,806 thousand (2017: UAH 185,340 thousand) which were fully depreciated but remained in use.

6. VALUE ADDED TAX AND OTHER TAXES RECEIVABLE

As at 31 December, taxes receivable comprised:

	2018	2017
VAT due from budget	359,083	127,598
Other taxes receivable	-	19
Total	**359,083**	**127,617**

The table below provides a reconciliation of the VAT receivable balance:

	2018	2017
Balance as at 1 January	**127,598**	**51,960**
Net VAT incurred	1,043,789	733,203
VAT receivables settled in cash	(812,304)	(657,565)
Balance as at 31 December	**359,083**	**127,598**

The management expects VAT receivable to be fully refunded in 2019.

7. PREPAYMENTS AND OTHER ASSETS

As at 31 December, prepayments and other assets comprised:

	2018	2017
Current		
Prepaid services	24,501	10,366
Prepayments for materials and spare parts	23,603	22,497
Other	4,881	1,373
Total current	**52,985**	**34,236**
Non-current		
Other non-current assets	9,481	-
Cash and short-term deposits with Bank Finance & Credit subject to liquidation process	291,636	291,636
Allowance on cash and deposits currently not available	(291,636)	(291,636)
Total non-current	**9,481**	**-**

Cash and deposits represent funds held at the Bank Finance & Credit, which was the Company's transactional bank and which was controlled by Kostiantyn Zhevago. On 17 September 2015, Bank Finance & Credit was put into temporary administration. On 17 December 2015, the banking license of Finance & Credit was revoked by the National Bank of Ukraine and the liquidation of the bank was initiated by the Deposit Guarantee Fund.

As at 31 December 2018 and 2017, the Company impaired in full the balance of cash and cash equivalents with Bank Finance & Credit.

The cash balance in Bank Finance & Credit included UAH 29,830 thousand, which was deposited as a mortgage for loans granted by the bank to the Company's employees under the Company's social loyalty program.

8. INVENTORIES

As at 31 December, inventories comprised:

	2018	2017
Current		
Iron ore pellets	241,468	29,802
Spare parts	129,920	93,454
Consumables	80,283	72,686
Fuel	51,034	33,328
Raw materials	27,019	23,124
Iron ore	1,094	21,036
Other	259	33
Total current	**531,077**	**273,463**
Non-current		
Iron ore	408,891	267,374
Total	**939,968**	**540,837**

Inventories are held at the lower of cost or net recoverable amount. Inventories classified as non-current comprises weathered ore stockpiles that are, based on the Company's current processing plans, not planned to be processed within the next year. It is the Company's intention to process this ore at a later point of time and it is expected that it will take more than one year to process this stockpile, depending on the Company's future mining activities, processing capabilities of FPM and anticipated market conditions.

In 2018, the amount of write-down of inventories recognised within other expenses was UAH 1,402 thousand (2017: UAH 16,570 thousand) (Note 21).

9. ACCOUNTS RECEIVABLE

As at 31 December, accounts receivable comprised:

	2018	2017
Receivables for pellets	2,539,374	1,360,354
Receivables for services	295,318	27,199
Receivables for materials	11,840	3,375
Receivables for iron ore	-	66,414
Other receivables	9,205	7,896
Total	**2,855,737**	**1,465,238**
Expected credit losses	(10,096)	(7,437)
Total	**2,845,641**	**1,457,801**

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

The Company always measures the allowance for doubtful debt for trade accounts receivable at an amount equal to lifetime expected credit losses.

The expected credit losses on trade accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a trade accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table details the risk profile of trade accounts receivable based on the Company's provision matrix using individual assessment. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

	Accounts receivable – days overdue						
31 December 2018	**Not past due**	**<45 days**	**46-90 days**	**91-180 days**	**181-360 days**	**>360 days**	**Total**
Individual assessment							
Expected credit loss rate	0%	100%	0%	25%	100%	100%	
Estimated total gross carrying amount at default	2,843,504	3,165	-	2,850	12	6,206	**2,855,737**
Lifetime expected credit losses	**-**	**3,165**	**-**	**713**	**12**	**6,206**	**10,096**

	Accounts receivable – days overdue						
1 January 2018	**Not past due**	**<45 days**	**46-90 days**	**91-180 days**	**181-360 days**	**>360 days**	**Total**
Individual assessment							
Expected credit loss rate	0%	100%	0%	76%	100%	100%	
Estimated total gross carrying amount at default	1,457,731	2,282	-	290	69	4,866	**1,465,238**
Lifetime expected credit losses	**-**	**2,282**	**-**	**220**	**69**	**4,866**	**7,437**

In 2018 and 2017, almost all sales of the Company were made to the related parties and there was no history of significant payment delays.

Reconciliation of the allowance for non-collectability of receivables:

	2018	**2017**
As at 1 January	**(7,437)**	**(16,451)**
Charge for the year	(4,107)	(1,377)
Utilised	-	10,391
Reversal	1,448	-
As at 31 December	**(10,096)**	**(7,437)**

10. CASH AND SHORT-TERM DEPOSITS

As at 31 December 2018 and 2017, cash and short-term deposits were represented by cash at banks and on hand totalling UAH 352,688 thousand and UAH 60,804 thousand, respectively.

11. INTEREST-BEARING LOANS AND BORROWINGS

As at 31 December interest-bearing loans and borrowings comprised the following:

	2018	2017
Current		
Ferrexpo Group entity (Note 4)	4,784,532	5,009,999
Foreign banks and companies	81,263	171,085
Finance lease	28,746	64,434
Interest accrued	14,200	19,148
Total current	**4,908,741**	**5,264,666**
Non-current		
Foreign banks and companies	-	82,361
Finance lease	-	29,109
Total non-current	**-**	**111,470**
Total	**4,908,741**	**5,376,136**

Loans and borrowings from Ferrexpo Group entities

Disclosures relating to loans from Ferrexpo Group entity are presented in Note 4.

Loans and borrowings from a foreign banks and companies

As at 31 December 2018 the interest rate, terms and currency split for interest-bearing loans and borrowings were as follows:

		Interest rate type	Interest rate	Within one year	From one to five years	Total
Bank loans and other borrowings, USD	(i)	Fixed	2.51%	46,448	-	**46,448**
Bank loans and other borrowings, USD	(ii)	Fixed	2.82%	34,815	-	**34,815**
Accrued interest				444	-	**444**
Total				**81,707**	**-**	**81,707**

As at 31 December 2017 the interest rate, terms and currency split for interest-bearing loans and borrowings were as follows:

		Interest rate type	Interest rate	Within one year	From one to five years	Total
Bank loans and other borrowings, USD	(i)	Fixed	2.51%	91,924	47,207	**139,131**
Bank loans and other borrowings, USD	(ii)	Fixed	2.82%	67,793	35,154	**102,947**
Bank loans and other borrowings, USD	(iii)	Floating	EURIBOR 6m + 2%	11,368	-	**11,368**
Accrued interest				19,148	-	**19,148**
Total				**190,233**	**82,361**	**272,594**

(i) The loan is secured by equipment and mining vehicles with a carrying value of UAH 112,919 thousand (2017: UAH 104,751 thousand) and a non-separable free of charge guarantee provided by FPM.
(ii) The loan is secured by equipment and mining vehicles with a carrying value of UAH 52,596 thousand as at 31 December 2018 (2017: UAH 95,493 thousand) and a non-separable free of charge guarantee provided by Ferrexpo AG and FPM.
(iii) The loan was secured by technical equipment and machinery with a carrying value of UAH 14,744 thousand as at 31 December 2017.

Undrawn borrowing facilities

As at 31 December 2018, available undrawn borrowing facilities of the Company under loan agreements with related parties totalled UAH 6,506,742 thousand (2017: UAH 5,027,743 thousand).

Finance lease

In 2013, the Company leased mining equipment under finance lease agreements which bear interest of 6.8% and are denominated in USD.

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

	Minimum lease payments	Present value of minimum lease payments
2018		
Within one year	27,779	27,067
Total minimum lease payments	27,779	27,067
Less amounts representing finance charges	(712)	-
Add VAT	1,679	1,679
Liabilities under finance lease	**28,746**	**28,746**
Current portion	28,746	
Non-current portion	-	
Total	**28,746**	
2017		
Within one year	65,050	59,931
After one year but not more than five years	30,034	29,109
Total minimum lease payments	95,084	89,040
Less amounts representing finance charges	(6,044)	-
Add VAT	4,503	4,503
Liabilities under finance lease	**93,543**	**93,543**
Current portion	64,434	
Non-current portion	29,109	
Total	**93,543**	

Reconciliation of liabilities arising from financing activities

The table below details key changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

2018	Interest-bearing loans and borrowings	Interest accrued	Finance lease	Total
At 1 January	**5,263,445**	**19,148**	**93,543**	**5,376,136**
Cash payments	(320,135)	(267,179)	(62,456)	(649,770)
Amortization of arrangement fees	7,347	-	-	7,347
Interest expense	-	300,046	-	300,046
Capitalized borrowing costs	-	(36,269)	-	(36,269)
FOREX gain, net	(84,862)	(1,546)	(2,341)	(88,749)
At 31 December	**4,865,795**	**14,200**	**28,746**	**4,908,741**

2017	Interest-bearing loans and borrowings	Interest accrued	Finance lease	Total
At 1 January	**5,850,236**	**124,649**	**148,259**	**6,123,144**
Cash payments	(746,028)	(449,653)	(56,766)	(1,252,447)
Amortization of arrangement fees	13,002	-	-	13,002
Interest expense	-	409,680	-	409,680
Capitalized borrowing costs	-	(62,777)	-	(62,777)
FOREX expenses, net	146,235	(2,751)	2,050	145,534
At 31 December	**5,263,445**	**19,148**	**93,543**	**5,376,136**

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 independent 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 14.0% (2017: 13.0%).

The liability becomes payable at the end of the useful life of the mine, currently estimated to be 2047. 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:

	2018	2017
As at 1 January	**22,961**	**9,948**
Unwinding of discount	2,985	1,592
Revision of provision and effect of change in assumptions	(10,576)	11,421
As at 31 December	**15,370**	**22,961**

13. DEFINED BENEFIT LIABILITY

Defined Contributions Plan

The Company makes statutory unified social contributions to the Pension Fund of Ukraine in respect of its employees. The contributions are calculated as a percentage of current gross salary and are expensed when incurred. Discretionary pensions and other post-employment benefits are included in labour costs in the statement of comprehensive income.

During the year ended 31 December 2018, the Company recognised expenses on contributions finally payable to the Pension Fund of Ukraine in amount of UAH 55,496 thousand (2017: UAH 37,647 thousand).

Defined Benefit Plan

The Company has a legal obligation to compensate the Pension Fund of Ukraine for additional pensions paid to certain categories of employees and former employees who are eligible for early retirement benefits. As at 31 December 2018, the defined benefit plan covered 295 employees (2017: 350 employees).

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

	2018	2017
At 1 January	**21,458**	**9,943**
Past service cost	-	(5,798)
Benefit expense	4,585	3,100
Re-measurement (gains)/losses on defined benefit plans	(1,650)	14,513
Benefits paid	(372)	(300)
At 31 December	**24,021**	**21,458**

	2018	2017
Benefit (income)/expense		
Current service cost	1,909	1,533
Interest cost on benefit obligation	2,676	1,567
Past service cost	-	(5,798)
Total	**4,585**	**(2,698)**

	2018	2017
Re-measurement (gains)/losses		
Actuarial changes arising from changes in demographic assumptions	246	3,753
Actuarial changes arising from changes in economic assumptions	(7,284)	10,011
Experience adjustments	5,388	749
Total	**(1,650)**	**14,513**

In 2018, benefit expense of UAH 1,909 thousand (2017: income of UAH 4,263 thousand), excluding interest cost, was included in cost of sales. Interest cost on defined benefit obligation of UAH 2,676 thousand (2017: UAH 1,567 thousand) was included in other finance costs.

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

	2018	2017
Discount rate	14.00%	13.00%
Pension indexation	6.38%	8.48%
Staff turnover	9.70%	8.50%
Future benefit increase	7.85%	9.22%

The sensitivity analysis and related effect on defined benefit obligation as at 31 December is given in the table below:

	Increase/ (decrease) in rate	2018	2017
Discount rate	1%	(3,363)	(1,681)
Discount rate	-1%	1,864	3,531
Future benefit increase	1%	2,139	3,057
Future benefit increase	-1%	(1,879)	(1,342)
Pension indexation	1%	-	848
Pension indexation	-1%	(13)	(538)
Life expectancy	+ 1 year	544	1,136
Life expectancy	- 1 year	(464)	(174)

14. TRADE AND OTHER PAYABLES

As at 31 December, trade and other payables comprised:

	2018	2017
Payables for materials and services	490,342	307,697
Taxes payable, other than income tax	81,393	54,882
Payables to employees	35,820	28,451
Payables for property, plant and equipment	11,858	25,779
Other payables	492	314
Total	**619,905**	**417,123**

15. INCOME TAX

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

	2018	2017
Current tax expense	172,385	-
Deferred tax expense/(benefit)	373,433	(536,061)
Income tax expense /(benefit) reported in profit or loss	**545,818**	**(536,061)**

The Company's income is subject to taxation in Ukraine only. In 2018 and 2017, Ukrainian corporate income tax was levied at a rate of 18%. The effective income tax differs from the corporate income tax rate in Ukraine.

The reconciliation between tax benefit and profit or loss before taxes multiplied by the tax rate is as follows:

	2018	2017
Profit before tax	**3,044,236**	**1,699,266**
Notional tax computed at the statutory tax rate of 18%	547,962	305,868
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	-	(536,061)
Effect of utilization of previously unrecognized deferred tax assets	(59,601)	(299,011)
Effect of change in legislation	41,097	-
Tax effect of differences that are not deductible / (not taxable) in determining taxable profit relating to:		
Net foreign exchange gain/(loss)	6,273	(1,925)
Other	10,087	(4,932)
Income tax expense/(benefit)	**545,818**	**(536,061)**

Reconciliation of net deferred tax assets was as follows:

	2018	2017
At 1 January	**538,673**	**-**
Tax (expense)/benefit recognised in profit or loss	(373,433)	536,061
Tax benefit recognised in other comprehensive income	-	2,612
At 31 December	**165,240**	**538,673**

Deferred tax asset as at 31 December related to the following:

	Statement of financial position		Statement of profit or loss	
	2018	2017	2018	2017
Losses available for offsetting against future taxable income	-	388,323	388,323	260,146
Property, plant and equipment	157,595	184,126	26,531	62,887
Inventories	-	15,967	15,967	(3,105)
Restricted cash	7,645	7,645	-	44,844
Defined benefit liability	-	2,204	2,204	2,116
Interest-bearing loans and borrowings	-	9	9	66,269
Accounts receivables	-	-	-	2,146
Trade and other payables	-	-	-	945
Provision for site restoration	-	-	-	193
Unrecognised deferred tax assets	-	(59,601)	(59,601)	(972,502)
Total deferred tax asset, net	**165,240**	**538,673**	**373,433**	**(536,061)**

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) Interest-bearing loans and borrowings – differences in measurement (cost and amortized cost), interest expenses recognition;
(iii) Allowance recognised for restricted cash and deposits;
(iv) Inventories – differences in inventories valuation models and the periods of recognition;
(v) Tax losses carried forward.

16. REVENUE

	2018	2017
Revenue from sales of iron ore pellets	8,458,963	5,919,724
Revenue from sales of iron ore	244,954	515,257
Revenue from ore transportation and other services	295,490	19,218
Revenue from repairs and maintenance services	133,102	26,215
Total	**9,132,509**	**6,480,414**

In 2018 and 2017 the Company traded pellets produced from their own iron ore at Ferrexpo Poltava Mining's facilities under tolling agreement.

17. COST OF SALES

	2018	2017
Tolling fee	3,080,548	2,390,561
Materials, maintenance, fuel, gas and electricity	898,507	580,342
Depreciation and amortisation	338,504	255,930
Taxes on geological surveys and stripping levy	293,751	202,593
Personnel costs	184,371	122,541
Purchased iron ore pellets	138,169	-
Cost of repairs and maintenance services	56,014	18,366
Other	91,983	-
Changes in the balances of work in progress and finished goods	(295,253)	33,346
Total	**4,786,594**	**3,603,679**

18. OTHER INCOME

	2018	2017
Income from operating leases	40,557	53,799
Recognition of surpluses of iron ore pellets during stock count	37,990	48,005
Income on sale of other inventories	12,524	14,075
Other income	8,976	8,060
Total	**100,047**	**123,939**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Personnel costs	81,037	51,737
Depreciation and amortisation	15,440	11,362
Vehicles maintenance and fuel	11,160	13,377
Consulting and other professional fees	11,004	5,302
Office supplies	9,034	1,246
Business trip expenses	4,164	3,692
Bank fees	490	428
Other	11,778	5,226
Total	**144,107**	**92,370**

20. SELLING AND DISTRIBUTION EXPENSES

	2018	2017
Railway tariffs	482,974	293,367
Port charges	241,844	226,008
Railway transport usage service	143,366	96,911
Haulage services	26,230	19,638
Personnel costs	2,290	1,613
Depreciation charge	536	471
Other	12,667	8,847
Total	**909,907**	**646,855**

21. OTHER EXPENSES, NET

	2018	2017
Depreciation charge	99,986	39,587
Charity donations	13,239	9,199
Repairs and maintenance of own vehicles leased to FPM	10,223	-
Taxes other than income tax	6,119	4,126
Personnel costs	4,319	2,000
Change in allowance for doubtful debts	2,659	1,377
Impairments of inventory	1,402	16,570
Expenses related to dismantling and liquidation of property, plant and equipment	1,319	18,102
Write-off of VAT on prepayments	-	17,388
Gain on disposal of property, plant and equipment	(8,455)	(2,205)
Other expenses	3,652	5,184
Total	**134,463**	**111,328**

22. FINANCE COSTS

	2018	2017
Interest expenses on loans	300,046	409,680
Other finance costs	23,293	16,872
Capitalized interest expense	(36,269)	(62,777)
Total	**287,070**	**363,775**

23. FOREIGN EXCHANGE GAIN/(LOSS), NET

	2018	2017
Foreign exchange gain/(loss) relating to loans and borrowings	88,749	(145,534)
Net loss on currency purchase/sale	(2,864)	(3,169)
Foreign exchange loss relating to accounts payable	(1,195)	(135)
Foreign exchange gain relating to cash and short-term deposits	2,195	2,586
Foreign exchange (loss)/gain relating to accounts receivable and other assets	(13,064)	59,172
Total	**73,821**	**(87,080)**

24. COMMITMENTS AND CONTINGENCIES

Commitments

Capital commitments

As at 31 December 2018 the Company entered into the agreements on the purchase of property and equipment and construction services in the amount of UAH 419,135 thousand (2017: UAH 98,364 thousand) related to construction and assembling services.

Leases

The Company had entered into a non-cancellable agreement to lease a plot of land related to exploration of ore deposit. The anticipated lease payments are summarised below:

	2018	2017
In less than one year	12,175	23,696
From one to five years	48,517	94,259
More than five years	228,716	512,778
Total	**289,408**	**630,733**

Lease payments are not fixed and calculated as a percentage of normative monetary value of land. Based on the fact that changes in lease payments are made usually every year either due to change in normative monetary value of land or change in annual land lease payment rate, commitments were calculated for the whole period of lease contract assuming fixed minimal lease payments for 2019 remain unchanged until the end of the contracts.

Tax and legal matters

Deposit Guarantee Fund and Liquidator of Bank Finance & Credit

Following commencement of the liquidation of Bank Finance & Credit and in accordance with the applicable legislation, the Company submitted on 21 January 2016 its claim for UAH 291,636 thousand. This represents the total amount of cash held with the bank on the date of introduction of the temporary administration after translating in accordance with applicable law all foreign currency amounts into UAH currency equivalents. On 22 April 2016, the liquidator issued certificate recognising UAH 42,474 thousand of these claims. These recognised claims were included in the ninth rank on the basis that the Company was considered as a related party to the bank. During the hearing on 17 May 2017, the court stayed the proceeding and ordered expert examination by an accounting expert of the documents submitted by the liquidator. The Company is currently engaged in court proceedings challenging both the underrecognition of claims and the ranking of the claims. There were no significant developments for this case in 2018 and as at 31 December 2018 the Company kept 100% allowance in respect of balances with Bank Finance & Credit (Note 7).

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. Management believes that its interpretation of the relevant legislation is appropriate and that the Company has complied with all regulations, and paid or accrued all taxes and withholdings that are applicable.

The Company has a significant involvement in trading and financing transactions with related parties. Ukrainian transfer pricing rules as well as other areas of tax legislation are evolving and apply to a wide range of situations involving cross-border and certain domestic transactions. The Company's historical trading and financing relationships with related parties could fall within these such rules and regulations. If the tax authorities establish failure to comply with these rules, they may demand transfer pricing or other adjustments. If substantial transfer pricing or other adjustments were upheld by courts and implemented, the Company's financial results could be adversely affected. 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 entities 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 unfavorable outcome.

Other tax claims

As a result of a dispute by Ferrexpo Yeristovo Mining of the tax authorities' claims for additional taxes and fines imposed after tax inspections on 2012 totalling UAH 122,806 thousand, including penalties totalling UAH 8,204 thousand, a court decision was adopted in favour of the Company that has a legal force. At present, tax authorities appeal against these decisions in cassation court. Management believes that the claims have little legal merit and thus expects to ultimately receive positive court decisions for these ongoing court proceedings.

25. 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	
	2018	**2017**	**2018**	**2017**
Financial assets				
Accounts receivable	2,845,641	1,457,801	2,845,641	1,457,801
Cash and short-term deposits	352,688	60,804	352,688	60,804
Financial liabilities				
Interest-bearing loans and borrowings and finance lease	4,908,741	5,376,136	4,908,741	5,440,036
Trade and other payables, excluding taxes and payroll payables	502,692	333,790	502,692	333,790

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.

The carrying values of financial assets, less any estimated credit adjustments, and liabilities with a maturity of less than one year are assumed to be their fair values. The fair value of non-current 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. As at 31 December 2018 all financial assets and liabilities mature in less than one year (Note 26).

During the reporting period, there were no transfers between levels of fair value hierarchy.

26. 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 the Board approved Treasury Policy.

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

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.

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 *Financial Instruments: Disclosures* 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. Exchange rates for currencies used in business transactions are presented below.

	USD	EUR
As at 31 December 2018	27.69	31.71
As at 31 December 2017	28.06	33.49

Foreign currency denominated short and long-term interest-bearing loans and borrowings, trade receivables and payables, cash and short-term deposits give rise to foreign exchange exposure. The Company has not entered into transactions designed to hedge against these foreign currency risks. 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.

2018	Increase/ (decrease) in rate	Effect on loss before tax
UAH/USD	10%	(212,787)
UAH/USD	-10%	212,787
UAH/EUR	10%	(9)
UAH/EUR	-10%	9

2017	Increase/ (decrease) in rate	Effect on loss before tax
UAH/USD	10%	(398,200)
UAH/USD	-10%	398,200
UAH/EUR	10%	(1,140)
UAH/EUR	-10%	1,140

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective is to maintain continuity and flexibility of funding through the use of extended credit terms provided by its related parties.

The Company analyses the aging of its assets and the maturity of its liabilities and plans its liquidity depending on the expected repayment of various instruments. Ferrexpo Group centrally monitors its cash flow requirements and optimise 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. Ferrexpo prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements.

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

2018	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	4,926,120	52,888	-	**4,979,008**
Trade and other payables, excluding taxes and payroll payables	502,692	-	-	**502,692**
Total	**5,428,812**	**52,888**	**-**	**5,481,700**

2017	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	5,139,425	67,517	284,222	**5,491,164**
Trade and other payables, excluding taxes and payroll payables	333,790	-	-	**333,790**
Total	**5,473,215**	**67,517**	**284,222**	**5,824,954**

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 25.

Most of the Company's sales are made to Ferrexpo Group entities. Therefore, accounts receivable are primarily concentrated with the Ferrexpo Group entities (Note 4). The Company does not require collateral in respect of accounts receivable. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Capital risk management

The Company considers participants' contributions, trade payables and loans from Ferrexpo Group as primary capital sources. In 2018 and 2017, 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 the Company's operating activities, capital expenditures and the Company's development strategy.

	2018	2017
Interest-bearing loans and borrowings (Note 11)	4,908,741	5,376,136
Trade and other payables, excluding taxes and payroll payables (Note 14)	502,692	333,790
Cash and short-term deposits (Note 10)	(352,688)	(60,804)
Net debt	**5,058,745**	**5,649,122**
Net assets attributable to participants	**5,397,056**	**2,749,265**
Net assets attributable to participants and net debt	**10,455,801**	**8,398,387**

27. EVENTS AFTER THE REPORTING PERIOD

In March 2019 the Company prolonged maturity of the loans due to Ferrexpo Group companies in the amount of UAH 4,784,532 thousand. Under amended repayment schedule, these loans are due by the end of March 2020.

In March 2019 participants of the Company declared an increase of the Company's authorized capital by UAH 1,348,047 thousand.