DTEK Holdings B.V.

International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

31 December 2013

PricewaterhouseCoopers Accountants N.V.
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Independent auditor's report

To: the general meetings of shareholders of DTEK Holdings B.V.

The accompanying summary financial statements, which comprise the summary consolidated balance sheet as at 31 December 2013, the summary consolidated income statement, the statements of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of DTEK Holdings B.V. for the year 2013. We expressed an unqualified audit opinion on those financial statements in our report dated 20 March 2014. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain the company financial statements as required by International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements, therefore, is not a substitute for reading the complete audited financial statements of DTEK Holdings B.V.

Management board's responsibility

The management board is responsible for the preparation of a summary of the audited financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements and the related explanatory notes based on our procedures, which we conducted in accordance with Dutch Law, including the Dutch Standard 810 "Engagements to report on summary financial statements".

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of DTEK Holdings B.V. for the year 2013 are consistent, in all material respects, with those financial statements.

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Emphasis of an uncertainty in the financial statements with respect to the political and economic uncertainties in Ukraine

We draw your attention to Note 2 to the consolidated financial statements. The operations of the Group, and those of other entities in Ukraine, have been affected and may continue to be affected for the foreseeable future by the continuing political and economic uncertainties in Ukraine. Our opinion is not qualified in respect of this matter.

Amsterdam, 20 March 2014
PricewaterhouseCoopers Accountants N.V.

Original signed by P.C. Dams RA

DTEK Holdings B.V.
Consolidated Balance Sheet

In millions of Ukrainian Hryvnia	Note	31 December 2013	31 December 2012 (as restated) Note 5	1 January 2012 (as restated) Note 5
ASSETS				
Non-current assets				
Property, plant and equipment	8	62,716	50,752	30,627
Intangible assets	9	1,979	1,985	183
Goodwill	10	4,563	4,563	1,116
Investments in associates	11	12	12	5,574
Financial investments	12	592	289	563
Deferred income tax asset	31	934	930	609
Other non-current assets		269	50	137
Total non-current assets		**71,065**	**58,581**	**38,809**
Current assets				
Inventories	13	4,117	5,055	2,214
Trade and other receivables	14	12,328	7,518	4,608
Financial investments	12	1,058	99	328
Current income tax		1,333	272	23
Cash and cash equivalents	15	5,243	5,360	10,426
Total current assets		**24,079**	**18,304**	**17,599**
TOTAL ASSETS		**95,144**	**76,885**	**56,408**
EQUITY				
Share capital	16	0	0	0
Share premium		9,909	9,909	9,909
Other reserves	17	1,118	3,470	5,731
Retained earnings		14,223	14,104	8,470
Equity attributable to owners of the parent		**25,250**	**27,483**	**24,110**
Non-controlling interest in equity		**9,468**	**5,043**	**401**
TOTAL EQUITY		**34,718**	**32,526**	**24,511**
LIABILITIES				
Non-current liabilities				
Liability to non-controlling participants		11	5	4
Borrowings	18	22,258	17,256	12,405
Other financial liabilities	19	7,503	3,860	2,615
Retirement benefit obligations	20	5,131	4,433	3,894
Provisions for other liabilities and charges	21	1,673	578	600
Deferred income tax liability	31	3,173	1,499	937
Total non-current liabilities		**39,749**	**27,631**	**20,455**
Current liabilities				
Borrowings	18	4,752	3,406	2,677
Other financial liabilities	19	290	300	756
Prepayments received		4,017	3,326	899
Trade and other payables	22	9,397	8,162	5,814
Current income tax payable		508	375	356
Other taxes payable	23	1,713	1,159	940
Total current liabilities		**20,677**	**16,728**	**11,442**
TOTAL LIABILITIES		**60,426**	**44,359**	**31,897**
TOTAL LIABILITIES AND EQUITY		**95,144**	**76,885**	**56,408**

Signed by entire Management Board
on 20 March 2014.

/s/DTEK Management B.V.
Director

/s/Vistra (Amsterdam) B.V
Director

Approved for issue and signed by entire
Supervisory Board on 20 March 2014.

/s/ Oleg Popov
/s/ Sergey Korovin
/s/ Irina Mykh
/s/ Robert Sheppard
/s/ Damir Akhmetov
/s/ Catherine Stalker
/s/ Johan Bastin

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The accompanying notes are an integral part of these financial statements.

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In millions of Ukrainian Hryvnia	Note	2013	2012 (as restated) Note 5
Revenue	24	91,140	78,340
Heat tariff compensation	24	1,677	4,241
Cost of sales	25	(82,695)	(70,778)
Gross profit		**10,122**	**11,803**
Other operating income	26	2,910	3,265
Distribution costs	27	(967)	(594)
General and administrative expenses	28	(2,525)	(2,233)
Other operating expenses	29	(1,780)	(1,408)
Net foreign exchange (loss)/gain (other than on borrowings)		38	705
Operating profit		**7,798**	**11,538**
Foreign exchange losses less gains from borrowings		(317)	(448)
Finance income	30	470	602
Finance costs	30	(3,754)	(4,183)
Gain from a bargain purchase	33	991	604
Recognition of loss from fair valuation of associate on transfer to subsidiary		-	(385)
Recognition of AFS reserve on transfer to subsidiary	17	-	(63)
Share of after tax results of associates		-	(205)
Profit before income tax		**5,188**	**7,460**
Income tax expense	31	(1,856)	(1,506)
Profit for the year		**3,332**	**5,954**
Profit is attributable to:			
Equity holders of the Company		2,340	4,712
Non-controlling interest		992	1,242
Profit for the year		**3,332**	**5,954**

Consolidated Statement of Comprehensive Income

In millions of Ukrainian Hryvnia	Note	2013	2012
Profit for the period		3,332	5,954
Items that may be reclassified to profit or loss:			
Financial investments:			
- Fair value gain/(loss)	17	-	60
- Income tax recorded on available-for-sale financial assets	17	-	(4)
- Recognition of AFS reserve on transfer to subsidiary	17	-	63
Effective portion of change in the fair value of cash flow hedges	17	(281)	-
Reclassification adjustment in relation to cash flow hedges		531	-
Currency translation reserve	17	(26)	42
Items that will not be reclassified to profit or loss:			
Property, plant and equipment:			
- Change in estimate for asset retirement obligation	17	(40)	(9)
Re-measurements of post-employment benefit obligations	17, 20	(572)	145
Income tax recorded on re-measurements of post-employment benefit obligations	31	92	(23)
Other comprehensive income for the year	17	**(296)**	**274**
Total comprehensive income for the period		**3,036**	**6,228**
Total comprehensive income attributable to:			
Equity holders of the Company		2,056	4,960
Non-controlling interest		980	1,268
Total comprehensive income for the period		**3,036**	**6,228**

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In millions of Ukrainian Hryvnia	Attributable to equity holders of the Company					Non-controlling interest	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2012 (as previously reported)	**0**	**9,909**	**5,731**	**8,785**	**24,425**	**401**	**24,826**
Restatement (Note 5)	-	-	-	(315)	(315)	-	(315)
Balance at 1 January 2012 (as restated)	**0**	**9,909**	**5,731**	**8,470**	**24,110**	**401**	**24,511**
Profit for 2012	-	-	-	4,712	**4,712**	1,242	**5,954**
Other comprehensive income for 2012 (Note 17)	-	-	152	96	**248**	26	**274**
Total comprehensive income for 2012	**-**	**-**	**152**	**4,808**	**4,960**	**1,268**	**6,228**
Property, plant and equipment:							
- Realised revaluation reserve (Note 17)	-	-	(1,356)	1,356	-	-	-
- Deferred tax related to realised revaluation reserve	-	-	195	(195)	-	-	-
Transfer of associates to subsidiary – recycling of equity reserves (Note 17)	-	-	(1,252)	1,252	-	-	-
Acquisition of subsidiary (Note 33)	-	-	-	-	-	3,461	**3,461**
Acquired non–controlling interest	-	-	-	(3)	**(3)**	(34)	**(37)**
Dividends declared	-	-	-	(1,584)	**(1,584)**	(53)	**(1,637)**
Balance at 31 December 2012 (as restated)	**0**	**9,909**	**3,470**	**14,104**	**27,483**	**5,043**	**32,526**
Profit for 2013	-	-	-	2,340	**2,340**	992	**3,332**
Other comprehensive income for 2013 (Note 17)	-	-	184	(468)	**(284)**	(12)	**(296)**
Total comprehensive income for 2013	**0**	**0**	**184**	**1,872**	**2,056**	**980**	**3,036**
Property, plant and equipment:							
- Realised revaluation reserve (Note 17)	-	-	(1,098)	1,098	-	-	-
- Deferred tax related to realised revaluation reserve	-	-	148	(148)	-	-	-
Remeasurement of financial liabilities (Note 17)	-	-	(1,586)	-	**(1,586)**	-	**(1,586)**
Acquisition of subsidiary (Note 33)	-	-	-	-	-	4,166	**4,166**
Acquired non–controlling interest	-	-	-	(144)	**(144)**	(410)	**(554)**
Dividends declared	-	-	-	(2,559)	**(2,559)**	(311)	**(2,870)**
Balance at 31 December 2013	**0**	**9,909**	**1,118**	**14,223**	**25,250**	**9,468**	**34,718**

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In millions of Ukrainian Hryvnia	Note	2013	2012 (as restated)
Cash flows from operating activities			
Profit before income tax		5,188	7,460
Adjustments for:			
Depreciation and impairment of property, plant and equipment and amortisation of intangibles, net of amortisation of government grants		6,734	6,024
Losses less gains on disposals of property, plant and equipment	29	71	83
Assets received free of charge	26	(89)	(95)
Net movement in provision for impairment of trade and other receivables and prepayments made	26	(1,815)	(2,576)
Gain from sale of investments available-for-sale		-	2
Change in provisions for other liabilities and charges	21	(12)	(112)
Non-cash operating charge to retirement benefit obligation	20	203	204
Extinguishment of accounts payable	26	(79)	(114)
Income from reimbursement of cost of repairs	26	(203)	-
Reversal of provision for long-term incentive bonus program for top executives	7	(282)	-
Share of result and impairment of associates	11	-	205
Recognition of AFS reserve on transfer to subsidiary	17	-	63
Loss from fair valuation of associate on transfer to subsidiary	11	-	385
Loss on disposal of associate	11	-	15
Unrealised result on associate	11	-	(8)
Gain from a bargain purchase	33	(991)	(604)
Unrealised foreign exchange loss		8	6
Realised and unrealised foreign exchange loss on financing activities		305	448
Finance costs, net	30	3,269	3,581
Other non-cash transactions, net		88	-
Operating cash flows before working capital changes		**12,395**	**14,967**
(Increase)/decrease in trade and other receivables		(1,290)	436
Decrease/(increase) in inventories		1,202	(1,390)
Increase in prepayments received		802	919
Increase in trade and other payables		1,346	264
Repayment of restructured obligations		(776)	(2,678)
Increase in other financial liabilities		886	769
Increase/(decrease) in taxes payable		555	(340)
Cash generated from operations		**15,120**	**12,947**
Income taxes paid		(2,581)	(2,763)
Defined employee benefits paid	20	(630)	(582)
Interest paid		(2,012)	(1,482)
Interest received		199	263
Provisions utilised	21	(14)	(28)
Net cash generated from operating activities		**10,082**	**8,355**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(11,513)	(9,698)
Proceeds from sale of property, plant and equipment		-	15
Purchase of financial investments		(1)	-
Prepayment for acquisition of shares	12	(120)	(160)
Placement of restricted cash	12,15	(132)	(371)
Capitalised borrowings cost paid	8	(147)	(124)
Finance lease related to acquisitions paid		(25)	(21)
Deposits placed and financial aid or loan provided		(1,194)	(169)
Repayment of deposits and loans provided		19	332
Acquisition of subsidiary	33	(1,799)	(4,653)
Cash acquired in business combination	33	1,350	261
Deferred consideration related to acquisitions paid		(93)	(103)
Net cash used in investing activities		**(13,655)**	**(14,691)**
Cash flows from financing activities			
Proceeds from borrowings		25,264	20,989
Repayment of borrowings		(19,030)	(18,148)
Commitment fee paid		-	(52)
Repayment of debts under amicable agreement		-	(12)
Dividends paid		(2,859)	(1,766)
Acquisition of non–controlling interest		(4)	(37)
Net cash generated from financing activities		**3,371**	**974**
Net decrease in cash and cash equivalents		(202)	(5,362)
Cash and cash equivalents at the beginning of the year	15	5,069	10,426
Exchange gains/(losses) on cash and cash equivalents		3	5
Cash and cash equivalents at the end of the year	15	4,870	5,069

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The accompanying notes are an integral part of these financial statements.

We draw your attention that this report only contains the consolidated financial statements. The complete annual accounts also comprise the company financial statements and the Directors' report. For a better understanding of the Company's financial position and results, we emphasise that the consolidated financial statements 2013 should be read in conjunction with the statutory financial statements of DTEK Holdings B.V., which include the directors report, company only financial statements 2013 and other information.

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1 The Organisation and its Operations

DTEK Holdings B.V. (the "Company") is a private limited liability company incorporated in the Netherlands on 16 April 2009. The Company was formed through the contribution by System Capital Management Limited and InvestCom Services Limited of their 100% equity interest in DTEK Holding Limited, a Cyprus registered entity and predecessor to the Company. The Company and its subsidiaries (together referred to as "the Group" or "DTEK") are beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM"). Mr. Akhmetov has a number of other business interests outside of the Group. Related party transactions are detailed in Note 7.

DTEK is a vertically integrated power generating and distribution group. Its principal activities are coal mining for further supply to its power generating facilities and finally distribution of electricity to end customers primarily in Ukraine. The Group's coal mines, power generation plants and distribution facilities are located in the Donetsk, Dnipropetrovsk, Lugansk, Lviv, Ivano-Frankivsk, Vinnitsya, Zaporizhzhya and Kyiv regions, the Autonomous Republic Crimea and the City of Kyiv in Ukraine, and Rostov region of Russian Federation. The Group sells all electricity generated to Energorynok SE, the state-owned electricity metering and distribution pool, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. The Group's distribution entities then repurchase electricity for supply to final customers. The principal subsidiaries are presented below:

Name/Segment	% interest held as at 31 December 2013	% interest held as at 31 December 2012	Country of incorporation
Coal mining and power generation			
DTEK Pavlogradugol PJSC	99.92	99.92	Ukraine
DTEK Mine Komsomolets Donbassa PJSC	95.31	94.64	Ukraine
DTEK Dobropolskaya CEP PJSC	60.06	60.06	Ukraine
DTEK Oktyabrskaya CEP PJSC	60.85	60.85	Ukraine
Bilozerska Mine ALC	95.44	95.44	Ukraine
Mospino CPE LLC	99.00	99.00	Ukraine
Pershotravensky RMZ LLC	99.00	99.00	Ukraine
Tehrempostavka LLC	100.00	100.00	Ukraine
CCM Kurahovskaya LLC	99.00	99.00	Ukraine
CCM Pavlogradskaya LLC	99.00	99.00	Ukraine
DTEK Dobropolyeugol LLC	100.00	100.00	Ukraine
DTEK Rovenkiantracyte LLC	100.00	100.00	Ukraine
DTEK Sverdlovantracyte LLC	100.00	100.00	Ukraine
Public company Don-Anthracite	100.00	100.00	Russian Federation
Public Mining Corporation Obukhovskaya	100.00	100.00	Russian Federation
Sulinathracite LLC	100.00	100.00	Russian Federation
DTEK Dniproenergo PJSC	73.54	73.30	Ukraine
DTEK Zakhidenergo PJSC	72.24	72.19	Ukraine
Eastenergo LLC	100.00	100.00	Ukraine
DTEK Hungary Power Trade LLC	100.00	100.00	Hungary
DTEK Trading Limited	100.00	100.00	Cyprus
DTEK Trading SA	100.00	-	Switzerland
Power Trade LLC	100.00	100.00	Ukraine
Interenergoservis LLC	99.00	99.00	Ukraine
DTEK Trading LLC	100.00	100.00	Ukraine
Electricity distribution			
DTEK Energougol ENE PJSC	95.19	94.24	Ukraine
DTEK Donetskoblenergo PJSC	71.35	71.35	Ukraine
DTEK Power Grid LLC	100.00	100.00	Ukraine
DTEK Dniprooblenergo PJSC	51.66	51.51	Ukraine
DTEK Krymenergo PJSC	57.70	57.60	Ukraine
Kyivenergo JSC	72.39	72.33	Ukraine
Renewable power generation			
Wind Power LLC	100.00	100.00	Ukraine
Orlovskaya WEP LLC	100.00	100.00	Ukraine
Primorskaya WEP LLC	100.00	100.00	Ukraine
Oil and Gas			
Naftogazvydobuvania PrJSC	50.00	-	Ukraine
DTEK Neftegaz LLC	100.00	100.00	Ukraine
Other			
DTEK Finance B.V.	100.00	100.00	Netherlands
DTEK Investments B.V.	100.00	100.00	Netherlands
DTEK Finance PLC	100.00	-	United Kingdom
DTEK Investments Ltd	100.00	-	United Kingdom
DTEK Holdings Limited	100.00	100.00	Cyprus
DTEK Servis LLC	99.00	99.00	Ukraine
DTEK LLC	100.00	100.00	Ukraine
Sotsis LLC	99.00	99.00	Ukraine
Elektronaladka LLC	99.00	-	Ukraine

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1 The Organisation and its Operations (Continued)

The Company is registered at Schiphol Boulevard 231 Tower B, 5th floor, 1118BH, Luchthaven Schiphol, the Netherlands. The principal place of business of its operating subsidiaries is 11 Shevchenko blvd, 83055 Donetsk, Ukraine.

As at 31 December 2013, the Group employed approximately 137 thousand people (31 December 2012: 142 thousand people).

2 Operating Environment of the Group

The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to market downturns and economic slowdowns elsewhere in the world. In 2013 Ukraine's GDP was flat year on year (2012: increase by 0.2%), while industrial output contracted by 4.7% (2012: reduction by 0.5%). The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was close to zero as the National Bank of Ukraine reduced the money supply. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with International Monetary Fund, and to pay the current and past purchase of natural gas.

The political system of Ukraine experienced instability with a number of protests against the Government's actions in late 2013 and street violence in January - February 2014. As a result of those actions, Ukraine's Prime Minister resigned and the President was dismissed. On 26 February, the newly formed Parliament majority coalition appointed a Prime Minister and the Government.

During January-February 2014, the Ukrainian Hryvnia saw a significant decrease in value against the major world currencies. Additionally, Moody's Investors Service downgraded Ukraine's government bond rate to Caa2 from Caa1 with a negative outlook. The new Government called for immediate dialogue with the International Monetary Fund in order provide financing and avoid possible default. On 1 March 2014, the Russian parliament granted approval for the use of armed forces in Ukraine. The Ukrainian armed forces were put on full alert. The government in Crimea held a referendum on joining the Russian Federation on 16 March 2014, following which region of Crimea and the Russian Federation announced the joining of Crimea to Russia.

The Group has significant balances receivable with and prepayments made to various government departments in Ukraine including prepaid income taxes of UAH 1,333 million, VAT recoverable of UAH 753 million, heat tariff compensation of 1,995 million (of which UAH 1,679 million was recovered in February 2014) and receivables from Energorynok and various water and heat supply companies of UAH 3,177 million and UAH 1,213 million, respectively. The timing of settlement of these balances is uncertain and is dependent upon the availability of State funds.

The final resolution and the effects of the political and economic crisis are difficult to predict but they may have further severe effects on the Ukrainian economy and the Group's business. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union using the historical cost convention, as modified by the revaluation of property, plant and equipment, and certain financial instruments measured in accordance with the requirements of IAS 39 *Financial instruments: recognition and measurement*. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Use of estimates. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas, involving a high degree of judgement, complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

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3 Summary of Significant Accounting Policies (Continued)

Functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Ukrainian Hryvnia ("UAH"), which is the Company's functional and the Group's presentation currency.

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency, using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses, resulting from settlement of such transactions and from the translation of foreign currency denominated monetary assets and liabilities at year end, are recognised in the income statement. Translation at year end does not apply to non-monetary items including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

As at 31 December 2013, the exchange rates used for translating foreign currency balances were USD 1 = UAH 7.99 (31 December 2012: USD 1 = UAH 7.99); EUR 1 = UAH 11.04 (31 December 2012: EUR 1 = UAH 10.54); RUB 10 = UAH 2.45 (31 December 2012: RUB 10 = UAH 2.63). Exchange restrictions in Ukraine are limited to compulsory receipt of foreign receivables within 90 days of sales and to the compulsory conversion of 50% of proceeds in foreign currency to Ukrainian Hryvnia. Foreign currency can be easily converted at a rate close to the National Bank of Ukraine rate. At present, the UAH is not freely convertible outside Ukraine.

Consolidated financial statements. Subsidiaries are those companies and other entities (including special purpose entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a subsidiary is acquired in stages it is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Relative gain or loss from valuation of previously held interest is recognised in the income statement.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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3 Summary of Significant Accounting Policies (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Common control business combinations. Purchases of subsidiaries from parties under common control are recorded using the predecessor values, in a manner similar to the pooling of interests method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying values. The difference between the consideration given and the aggregate carrying value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created by such purchases.

Investments in associates. Associates are entities over which the Group has significant influence but not control, generally presumed for shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.
Dilution gains and losses arising in investments in associates are recognised in the income statement.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately. Segments falling below this threshold can be reported separately at management decision.

In the year 2013 management revised the structure of segment reporting and changed measurement of operating effectiveness from operating income to adjusted EBITDA. Comparative figures for the year 2012 were adjusted respectively. Oil and Gas and Renewable power generation segments are not meet disclosure criteria under IFRS 8 but management decided voluntary disclosure for these segments in order to evaluate and show the result of new business activities.

Property, plant and equipment. The Group uses the revaluation model to measure property, plant and equipment. Fair value was based on valuations by external independent valuers. The frequency of revaluation will depend upon the movements in the fair values of the assets being revalued. The last independent valuation of the fair value of the Group's property, plant and equipment was performed as at 1 August 2011. Subsequent additions to property plant and equipment are recorded at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Starting from 1 January 2009 the cost of acquired and self-constructed qualifying assets includes borrowing costs.

The Management estimate that carrying amount of property, plant and equipment as of 31 December 2013 does not differ materially from its fair value. Any increase in the carrying amounts resulting from revaluation are credited to other reserves in equity through other comprehensive income. Decreases that offset previously recognised increases of the same asset are charged against other reserves in equity through other comprehensive income; all other decreases are charged to the income statement. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

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3 Summary of Significant Accounting Policies (Continued)

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Oil and gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Costs are accumulated on a field-by-field basis. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense. Capitalisation is made within property, plant and equipment.

Depreciation. Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs of individual assets to their residual value over their estimated useful lives. Depreciation commences on the date of acquisition or, in respect of self-constructed assets, from the time an asset is completed and ready for use.

Mining and oil and gas assets include mineral licences and mineral reserves, which were acquired by the Group and which have finite useful lives. Mineral licenses and mineral reserves are stated at cost less accumulated amortisation and accumulated impairment losses.

Mining assets are amortised on a straight-line basis over the estimated useful life.

Oil and gas reserves and properties are depreciated using a unit-of-production method. The cost of producing wells is amortised over proved developed reserves. Licence acquisition, common facilities and future decommissioning costs are amortised over total proved reserves.

Other property, plant and equipment are depreciated on a straight line basis over its expected useful life. The typical useful lives of the group's other property, plant and equipment are as follows:

	Useful lives in years
Mining and oil and gas assets	from 20 to 60
Buildings and structures	from 10 to 50
Plant and machinery	from 2 to 30
Furniture, fittings and equipment	from 2 to 15

Construction in progress represents the cost of property, plant and equipment, including advances to suppliers, which has not yet been completed. No depreciation is charged on such assets until they are available for use.

Leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Asset retirement obligations. According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents, the Group is responsible for site restoration and soil rehabilitation upon abandoning of its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired, and corresponding obligation is recognised. Changes in the measurement of an existing asset retirement obligation, that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate used for measurement, are recognised in the income statement or, to the extent of any revaluation balance existence in respect of the related asset, other reserves. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in the consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates.

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3 Summary of Significant Accounting Policies (Continued)

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the acquirer's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary or associate at the date of exchange. Goodwill on acquisitions of subsidiaries is included in intangible assets in the balance sheet. Goodwill on acquisitions of associates is included in the investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business to which the goodwill arose.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell. "Burshtyn electricity island") intangible asset has a definite useful life of 13 years and is depreciated on a straight line basis over this period.

Impairment of non-financial assets. Intangible assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Classification of financial assets. The Group classifies its financial assets into the following measurement categories: (a) loans and receivables; (b) available-for-sale financial assets.

Loans and receivables include financial receivables created by the Group by providing money, goods or services directly to a debtor, other than those receivables which are created with the intention to be sold immediately or in the short term, or which are quoted in an active market. Loans and receivables comprise primarily loans, trade and other accounts receivable including purchased loans and promissory notes. All other financial assets are included in the *available-for-sale* category.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the balance sheet unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Initial recognition of financial instruments. The Group's principal financial instruments comprise available-for-sale investments, loans and borrowings, cash and cash equivalents and short-term deposits. The Group has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations.

Where available-for-sale investments are acquired from parties under the common control of the ultimate shareholder, and the difference between the amount paid to acquire the instrument and its fair value in substance represents a capital contribution or distribution, such difference is recorded as a debit or credit in other reserves in equity.

All purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial instrument. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost, and recognised in equity for assets classified as available-for-sale.

Subsequent measurement of financial instruments. Subsequent to initial recognition, the Group's financial liabilities, loans and receivables are measured at amortised cost. Amortised cost is calculated using the effective interest rate method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

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

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3 Summary of Significant Accounting Policies (Continued)

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised directly in equity. In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the balance sheet date.

When available-for-sale assets are sold or otherwise disposed of, the cumulative gain or loss recognised in equity is included in the determination of net profit. When a decline in fair value of available-for-sale assets has been recognised in equity and there is objective evidence that the assets are impaired, the loss recognised in equity is removed and included in the determination of net profit, even though the assets have not been derecognised.

Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payment is established and the inflow of economic benefits is probable.Impairment losses are recognised in the income statement when incurred as a result of one or more events that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an instrument below its cost is an indicator that it is impaired. The cumulative impairment loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in the income statement, is removed from equity and recognised in the income statement.

Impairment losses on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through current period's income statement.

A provision for impairment of loans and accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered to be indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Derecognition of financial assets. The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Derivative financial instruments, including hedge accounting. The Group enters, from time to time, into various derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. Starting from 1 January 2013 the Group applies hedge accounting to such transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as cash flow hedge - hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 36. Movements on the hedging reserve in other comprehensive income are shown in Note 17. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "Finance income/costs". Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

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3 Summary of Significant Accounting Policies (Continued)

Income taxes. Income taxes have been provided for in the financial statements in accordance with Ukrainian, Russian, Hungarian, Dutch, Cypriot, Swiss or UK legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is determined on the first in first out basis for raw materials and spare parts, weighted average cost for coal and specific identification principle for goods for resale. The cost of work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Offset of Trade and other receivables with Prepayments received. Trade receivables were partially offset with prepayments received as at 31 December 2012. Management considers that these receivables and prepayments should be presented on a gross basis in financial statements. The effect on the Group was as follows on amounts at 31 December 2012:

In millions of Ukrainian Hryvnia	31 December 2012 (as originally presented)	Restatement	31 December 2012 (as restated)
Trade and other receivables	7,068	450	7,518
Prepayments received	2,951	375	3,326
Other taxes payable	1,084	75	1,159

There was no impact on trade and other receivables, prepayments and other taxes payable at 1 January 2012.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2012:

In millions of Ukrainian Hryvnia	31 December 2012 (as originally presented)	Reclassification	Restatement	31 December 2012 (as reclassified and restated)
Trade receivables	4,597	(345)	450	4,702
Heat tariff compensation receivable	-	345	-	345

3 Summary of Significant Accounting Policies (Continued)

Promissory notes. Some purchases may be settled by promissory notes or bills of exchange, which are negotiable debt instruments. Purchases settled by promissory notes are recognised based on management's estimate of the fair value to be given up in such settlements. The fair value is determined with reference to observable market information.

Long-term promissory notes are issued by Group entities as payment instruments, which carry a fixed date of repayment and which the supplier can sell in the over-the-counter secondary market. Promissory notes issued by the Group are carried at amortised cost using the effective interest method.

Group entities also accept promissory notes from customers (both those issued by customers and third parties) as settlement of accounts receivable. Promissory notes issued by customers or issued by third parties are carried at amortised cost using the effective interest method. A provision for impairment of promissory notes is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented in the notes as share premium.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

Value added tax ("VAT"). In Ukraine VAT is levied at two rates: 20% on sales and imports of goods within the country, works and services and 0% on the export of goods and provision of works or services to be used outside Ukraine. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. VAT related to sales and purchases is recognised in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings and other financial liabilities. Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Bank overdrafts are included into borrowings line item in the consolidated balance sheet.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Government grants relating to an expense item are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Trade and other payables. Trade and other payables are recognised and initially measured under the policy for financial instruments mentioned above. Subsequently, instruments with a fixed maturity are re-measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Prepayments received. Prepayments received are carried at amounts originally received. Amounts of prepayments received are expected to be realised through the revenue received from usual activity of the Group.

Provisions for liabilities and charges. Provisions for liabilities and charges are provisions for environmental restoration, restructuring costs and legal claims which are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects 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.

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3 Summary of Significant Accounting Policies (Continued)

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. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Revenue recognition. The Group's generating companies sells all electricity produced by its electricity generation plants to Energorynok, a state-owned electricity distribution monopoly, at prices determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine ("NCRE"). The Group's distribution companies buy electricity from Energorynok and sell it to the end-customers, at prices determined by NCRE. Revenue from the sale of electricity is the value of units supplied during the year and includes an estimate of the value of units supplied to customers between the date of their last meter reading and the year end. Revenue from sale of electricity to end customers is recognised on a gross basis.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards associated with ownership of goods. If the goods are transported to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues are measured at the fair value of the consideration received or receivable, and are shown net of value added tax and discounts.

Revenue from sale and resale of natural gas are recognised at the point of transfer of risks and rewards associated with ownership of these goods. Revenues are measured at the fair value of the consideration received or receivable, and are shown net of value added tax and discounts.

Recognition of expenses. Expenses are recorded on an accrual basis. The cost of goods sold comprises the purchase price, transportation costs, commissions relating to supply agreements and other related expenses.

Finance income and costs. Finance income and costs comprise interest expense on borrowings, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments, unwinding of interest of the pension obligation and asset retirement provision, and foreign exchange gains and losses.
Borrowing costs that relate to assets that take a substantial period of time to construct are capitalised as part of the cost of the asset. All other interest and other costs incurred in connection with borrowings are expensed using the effective interest rate method.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

Management incentive program. In January 2009, the Group introduced a long-term incentive bonus program for top executives. This cash-settled share based compensation is based upon 2% of the Group's incremental value (net worth) increase over a benchmark amount, assessed at the vesting date of 31 December 2012. The total long term incentive pool is capped at maximum USD 100 million, depending on the increase in the value of the Group, this amount is further capped by individual employee caps.

All participants deferred interim vesting and accordingly 100% are vested as at 31 December 2013. In December 2013 the Group has paid UAH 30 million out of UAH 312 million of provision accrued. No additional payments are expected connecting with this program, and unpaid amount of provision was recognised in other operating income in amount of UAH 282 million.

Employee benefits: Defined Contributions Plan. The Group 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 consolidated income statement.

Employee benefits: Defined Benefit Plan. Certain entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The Group also provides lump sum benefits upon retirement subject to certain conditions. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by actuaries using the Projected Unit Credit Method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in income.

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3 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments, including cash flow hedge accounting. The Group enters, from time to time, into various derivative financial instruments to manage its exposure to commodity price risk, foreign currency risk and interest rate risk. Starting from 1 January 2013 the Group applies hedge accounting to such transactions. On initial designation of the derivative as a hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% - 125%. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value. When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in statement of comprehensive income and presented in the other comprehensive income. Any ineffective portion of changes in the fair value of a derivative is recognised in the statement of income. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

4 Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Fair value of previously held interests. The fair value of the previously held interest in the acquirees is assessed by the management with the reference to the quotes of the respective securities on active markets. Due to the illiquid nature of the Ukrainian capital markets the management assessed whether there exists an active market of the acquirees' securities on a case by case basis. Where the acquirees shares were determined not to be quoted in active markets, the fair values of previously held interests in acquirees were determined by reference to the prices of recent purchase transactions including for the privatisation for Zakhidenergo PJSC, Donetskoblenergo PJSC, Dniprooblenergo PJSC, Krymenergo PJSC and in case of Dniproenergo PJSC by independent appraisers using different valuation techniques.

Impairment of property, plant and equipment and goodwill. The Group is required to perform impairment tests for its cash-generating units. One of the determining factors in identifying a cash-generating unit is the ability to measure independent cash flows for that unit. For many of the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit.

The Group also determines whether goodwill is impaired at least on an annual basis. This requires estimation of the value in use / fair value less costs to sell of the cash-generating units to which goodwill is allocated. Estimating value in use/ fair value less costs to sell requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amount of goodwill and cash-generating units were estimated based on a fair value less costs to sell calculations. Additional information is disclosed in Note 10.

Revaluation of property, plant and equipment. The carrying value and depreciation of property, plant and equipment are affected by the estimates of replacement cost, depreciated replacement cost and remaining useful life. Changes in these assumptions could have a material impact to the fair value of property, plant and equipment (Note 8). The Management estimate that carrying amount of property, plant and equipment as of 31 December 2013 does not differ materially from its fair value.

Revenue measurement. Revenue for electricity distribution includes an assessment of electricity supplied to customers between the date of the last meter reading and the year-end (unread). Unread electricity usage is estimated applying industry standards and using historical consumption patterns by the supplier. The judgements applied, and the assumptions underpinning these judgements, are considered by management to be appropriate. However, a change in these assumptions would have an impact on the amount of revenue recognised.

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4 Critical Accounting Estimates and Judgements (Continued)

Impairment of trade and other accounts receivable. Management estimates the likelihood of the collection of trade and other accounts receivable based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position of and collection history with the customer. Should actual collections be less than management's estimates, the Group would be required to record an additional impairment expense.

Post-employment and other employee benefit obligations. Management assesses post-employment and other employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions, the likelihood of employees transferring from State funded pension employment to Group funded pension employment could all have a significant impact on the pension obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in determining the net cost (income) for pensions include the discount rate and expected salary increases. Any changes in these assumptions will impact the carrying amount of pension obligations. Since there are no long-term, high quality corporate or government bonds issued in Ukrainian Hryvnias, significant judgement is needed in assessing an appropriate discount rate. Key assumptions and sensitivities are presented in Note 20.

Deferred tax asset recognition. The net deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the balance sheet. Deferred tax assets are recorded to the extent that realisation of the related tax benefit is probable. In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimation based on historic taxable profits and expectations of future income that are believed to be reasonable under the circumstances.

Interest rates applied to long-term liabilities. Judgement has been used to estimate the fair value of long-term liabilities in the absence of similar financial instruments. A change in the effective interest rates used in assessing the fair value of loans and borrowings may have a material impact on the consolidated financial statements.

Provision for trade and other receivables. Starting from 1 January 2013 the Group changed the methodology used to estimate the recoverability of trade and other receivables. Previously individual accounts of certain customers of the electricity distribution entities (including individuals and state-owned entities) were fully provided. Starting from 1 January 2013 management estimates the likelihood of the collection of those balances based on an analysis of individual accounts. Factors taken into consideration include an ageing analysis of trade and other accounts receivable in comparison with the credit terms allowed to customers, and the financial position of and collection history with the customer. Should actual collections be less than management's estimates, the Group would be required to record an additional impairment expense. Had the methodology used to estimate the recoverability of trade and other receivables not changed the Group would have to increase the provision for its trade and other receivables by UAH 1,765 million.

Tax legislation. Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities (Note 32).

On 2 December 2010 a new Tax Code was adopted in Ukraine with most of the changes introduced being effective from 1 January 2011. Among the main changes are a change in the rates for corporate income tax from 25% to 16% which is introduced in several stages during 2011-2014, a change in base rate for VAT starting from 1 January 2015 from 20% to 17%, and a change in the methodology for determining the base for VAT and corporate income tax application. Further amendments to Tax code were adopted in 2013 which introduced changes in tax rates for 2014 and 2015 at the level of 18% and 17% respectively. Constant rate at the level of 16% should be applied for 2016 and subsequently.

On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. The new transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Related party transactions. In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions.

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4 Critical Accounting Estimates and Judgements (Continued)

Heat tariff compensation received by Kyivenergo JSC. In accordance with existing legislation, Kyivenergo is entitled to claim heat tariff compensation which is computed as the difference between the heat tariff required to cover all production costs plus reasonable margin and that imposed by the National Electricity Regulatory Committee of Ukraine. Such claims are subject to additional Governmental, Budget and City approvals, prescribed by the state regulations. In October 2012 the Cabinet of Ministers of Ukraine approved Resolution #968 stating that the compensation of the difference between the "economically grounded" tariffs and that imposed by the State should be calculated by the companies entitled to such compensation and approved by the state regularly. Kyivenergo accounts for such heat tariff compensation as government grants and has recorded amounts of compensation receivable on an accrual basis starting from November 2012. The amount of compensation receivable as at 31 December 2013 UAH 1,995 million (31 December 2012: UAH 345 million).

Accounting of the acquisition of Naftogazvydobuvania PrJSC. In 2013 the Group acquired a 50% interest in the shares of Naftgazvydobuvania. In determining that the Group controls this company, the Group considered various factors related to the governance and oversight of the company, including the composition of the shareholdings, rights of shareholders, composition of the Supervisory Board and management. Management concluded that is exposed to variable returns of the company, and that its control of the Supervisory Board and management provide the Group with the ability affect those returns through its power over the company. In determining the purchase price, management considered the likelihood of additional consideration payable in the future according to the terms of the purchase and sale agreement, and determined the fair value using relevant valuation techniques.

5 Adoption of New or Revised Standards and Interpretations

The following new standard that is effective for financial year beginning on or after 1 January 2013 and has been adopted by European Union has a material impact on these consolidated financial statements:

Amended IAS 19, Employee Benefits (issued in June 2011 and effective for annual periods beginning on or after 1 January 2013) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group reports accumulated amount of these remeasurements in retained earnings in equity.

Retrospective application of the standard had the following impact on the consolidated financial statements:

The effect was as follows on amounts at 1 January 2012:

In millions of Ukrainian Hryvnia	As originally presented	Effect of adopting revised IAS 19	As adjusted at 1 January 2012
Retained earnings	8,785	(315)	8,470
Retirement benefit obligation	3,519	375	3,894
Deferred tax assets	549	60	609

The effect was as follows on amounts at 31 December 2012:

In millions of Ukrainian Hryvnia	As originally presented	Effect of adopting revised IAS 19	As adjusted at 31 December 2012
Retained earnings	14,291	(187)	14,104
Non-controlling interest in equity	5,017	26	5,043
Retirement benefit obligation	4,241	192	4,433
Deferred tax assets	899	31	930

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5 Adoption of New or Revised Standards and Interpretations (Continued)

The effect was as follows on amounts in statement of profit or loss and other comprehensive income for the year ended 31 December 2012:

In millions of Ukrainian Hryvnia	As originally presented	Effect of adopting revised IAS 19	As adjusted for the year 2012
Cost of sale	(70,816)	38	(70,778)
Income tax:	(1,500)	(6)	(1,506)
Other comprehensive income:			
- Re-measurements of post-employment benefit obligations	-	145	145
- Income tax recorded on re-measurements of post-employment benefit obligations	-	(23)	(23)

The following new standards and amendments to the standards which are relevant to the Group's consolidated financial statements and have been adopted by European Union are effective for the first time for financial year beginning on or after 1 January 2013, but do not have a material impact on these consolidated financial statements:

- IFRS 13, Fair Value Measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1, Presentation of Financial Statements (issued in June 2011 and effective for annual periods beginning on or after 1 July 2012).
- Amendment to IAS 36, Impairment of assets, on recoverable amount disclosures (issued in May 2013 and effective for annual periods beginning on or after 1 January 2014) was early adopted by the Group for annual period beginning on 1 January 2013.

The following new standards and amendments to standards which are relevant to the Group's consolidated financial statements have been issued, but are not effective for the financial periods beginning on or after 1 January 2013 and have not been early adopted by the Group:

- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IFRS 11, Joint arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 28, Investments in Associates and Joint Ventures (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 32, 'Financial instruments, Presentation' (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement, "Novation of derivatives" (issued in June 2013 and effective for annual periods beginning on or after 1 January 2014

The following new standard which is relevant to the Group's consolidated financial statements, has been issued, but has not been adopted by European Union:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (not yet adopted by European Union).

The Group is currently assessing the impact of the new standard on its financial statements.

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6 Segment Information

The Management Board is the Group's chief operating decision-maker.

The management has determined the operating segments used for disclosure by the Group based on reports reviewed by the Management Board for the purposes of assessing performance. The Management Board considers the business from a product perspective taking into account the vertical integration of the Group.

The Management Board assesses the performance of the operating segments based on a measure of Adjusted EBITDA. This measurement basis represents profit for the year after excluding the following income statement items: foreign exchange losses less gains from borrowings, certain finance costs, income tax expense, depreciation and amortisation, recognition of loss from fair valuation of associate on transfer to subsidiary, recognition of available-for-sale ("AFS") reserve on transfer to associate, impairment of investment in associates, gain on a bargain purchase, impairment of property, plant and equipment and certain foreign exchange differences. Adjusted EBITDA is a supplemental measure of our performance and liquidity that is not required by or presented in accordance with IFRS.
Reportable segments are analysed by the Management Board on the following dimensions:

- Coal mining and power generation on thermal power plants, coal and gas resale, electricity export
- Electricity distribution
- Heat generation
- Renewable power generation on wind farms.
- Oil and Gas

Revenues included in 'Other' segment mainly include revenues from sales of services to Group companies. These activities are excluded from the reportable operating segments, as they are not reviewed by the Management Board on an on-going basis.
The Group's mining and power generation operations are vertically integrated and while the operating businesses are organised and managed separately, with each segment offering different products and serving different markets, there remains significant inter-dependence between the segments. The primary reporting format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing may not be determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses. Segment revenue includes transfer between business segments. Those transfers are eliminated on consolidation. Revenues and expenses of segments are measured using the same principles as used for consolidated financial statements of the Group.

Segment information for the reportable business segments of the Group for the year ended 31 December 2013 is as follows:

In millions of Ukrainian Hryvnia	Coal and power generation	Electricity distribution	Heat generation	Renewable power generation	Oil and Gas	Other	Elimination	Total
Sales – external	48,455	38,684	3,578	328	25	70	-	**91,140**
Sales to other segments	9	856	3	-	641	666	(2,175)	-
Total revenue	**48,464**	**39,540**	**3,581**	**328**	**666**	**736**	**(2,175)**	**91,140**
Heat tariff compensation			1,677					**1,677**
Total revenue and Heat tariff compensation	**48,464**	**39,540**	**5,258**	**328**	**666**	**736**	**(2,175)**	**92,817**
Segment results	**11,868**	**1,952**	**902**	**283**	**410**	**(71)**	**(384)**	**14,960**
Depreciation and amortisation	(5,213)	(1,216)	(103)	(70)	(63)	(76)	7	**(6,734)**
Foreign exchange gain/(loss) on borrowings								**(317)**
Gain from a bargain purchase								**991**
Unallocated expenses								**(190)**
Finance costs not included in Segment results								**(3,522)**
Profit before income tax								**5,188**
Material non cash item included in segments result:								
Net income from reversal of provision for trade account receivables	524	1,233	51	-	-	7	-	**1,815**
Reversal of provision for long-term incentive bonus program for top	-	-	-	-	-	282	-	**282**
Capital expenditure	6,856	1,377	260	1,562	119	136	-	**10,310**

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6 Segment Information (Continued)

Segment information for the main reportable business segments of the Group for the year ended 31 December 2012 is as follows:

In millions of Ukrainian Hryvnia	Coal and power generation	Electricity distribution	Heat generation	Renewable power generation	Oil and Gas	Other	Elimination	Total
Sales – external	42,790	31,831	3,646	7	-	66	-	**78,340**
Sales to other segments	-	796	2	-	-	657	(1,455)	-
Total revenue	**42,790**	**32,627**	**3,648**	**7**	**-**	**723**	**(1,455)**	**78,340**
Heat tariff compensation			**4,241**					**4,241**
Total revenue and heat tariff compensation	**42,790**	**32,627**	**7,889**	**7**	**-**	**723**	**(1,455)**	**82,581**
Segment results	12,838	2,747	1,554	(6)	-	142	(335)	**16,940**
Depreciation and amortisation	(4,848)	(984)	(142)	(3)	-	(51)	4	**(6,024)**
Foreign exchange gain/(loss) on borrowings								**(448)**
Gain from a bargain purchase								**604**
Loss on fair valuation on transfer from associate to subsidiary								**(385)**
Unallocated expenses								**(29)**
Finance costs not included in Segment result								**(3,198)**
Profit before income tax								**7,460**
Material non cash item included in segments result:								
Net income from reversal of provision for trade account receivables	1,964	612	-	-	-	-	-	**2,576**
Gain on initial recognition of long term accounts payable	298	9	-	-	-	-	-	307
Loss on early repayment of long-term payables	(422)	(396)	(159)	-	-	-	-	(977)
Capital expenditure	7,077	1,337	158	1,429	-	192	-	**10,193**

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Ukraine is UAH 68,884 million (2012: UAH 56,772 million) and the total of such non-current assets located in other countries is UAH 787 million (2012: UAH 579 million)

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6 Segment Information (Continued)

Customers concentration, exceeding 10% of total revenues is presented below:

In millions of Ukrainian Hryvnia	Coal and power generation	Electricity distribution	Heat generation	Renewable power generation	Oil and Gas	Total
2013						
Energorynok SE	34,840	-	-	328	-	**35,168**
Entities under common control of SCM	3,109	8,059	-	-	-	**11,168**
Total	**37,949**	**8,059**	**-**	**328**	**-**	**46,336**

In millions of Ukrainian Hryvnia	Coal and power generation	Electricity distribution	Heat generation	Renewable power generation	Oil and Gas	Total
2012						
Energorynok SE	30,733	-	-	-	-	**30,733**
Entities under common control of SCM	901	7,238	-	-	-	**8,139**
Total	**31,634**	**7,238**	**-**	**-**	**-**	**38,872**

Geographical information

In millions of Ukrainian Hryvnia	2013	2012
Ukraine	84,990	74,825
Eastern Europe	4,387	3,349
Western Europe	2,107	3,779
Other	1,333	628
Total revenues and heat tariff compensation	**92,817**	**82,581**

The Company's revenues are presented by legal address of the customer under direct sales contracts.

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7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties represent entities with significant concentration of transactions, but which are not under common control.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 are detailed below.

	2013			2012		
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Associates of SCM	Other	Entities under common control of SCM	Associates of SCM	Other
Prepayments for property, plant and equipment	-	-	3	53	-	848
Gross amount of trade and other receivables	297	23	-	296	-	-
Promissory notes receivable	-	-	3	-	-	-
Financial investments	205	-	6	-	-	-
Cash and cash equivalents – current account	2,342	-	-	1,295	-	-
Trade and other payables	(464)	-	(1)	(313)	-	(62)
Prepayments received	(28)	(11)	(1)	(34)	(4)	(176)

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7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the years ended 31 December were as follows:

	2013				2012			
In millions of Ukrainian Hryvnia	Entities under common control of SCM	Asso-ciates of SCM	Asso-ciates	Other	Entities under common control of SCM	Asso-ciates of SCM	Asso-ciates	Other
Sales of electricity	8,059	363	-	7	7,238	279	-	175
Sales of gas	2,527	398	-	-	-	-	-	-
Sales of coking coal	73	1	-	-	739	-	-	-
Sales of steam coal	509	10	-	-	162	-	1,300	-
Sales of inventory	-	-	-	4	1	-	1	-
Purchase of raw materials and equipment	(652)	-	-	-	(380)	-	-	-
Purchase of non-current assets	(668)	-	-	(36)	(368)	-	-	-
Purchase of services	(2,575)	-	-	-	(693)	-	-	-
Interest income on bank deposits	64	-	-	-	43	-	-	-
Interest expense on bank loans	-	-	-	-	(16)	-	-	-
Interest income on loans provided	-	-	-	-	-	-	3	-

Revenue, trade and other receivable

The trade receivable balances as at 31 December 2013 due from entities under common control and associates are non-interest bearing. The balances outstanding from related parties as at 31 December 2013 and 2012 are unsecured and settlements are made either in cash, in the form of debt set-off or by means of exchanging promissory notes issued by the settling counterparties or third parties to the transaction. The Group created no provision for impairment of accounts receivable due from related parties as at 31 December 2013 and 2012.

Purchases, trade and other payables

Purchases and outstanding trade and other payables as at 31 December 2013 and 2012 comprised mainly balances due to related parties for provision of railway services, supplies of iron shoring for mines, raw materials and steaming coal. Balances payable are non-interest bearing and are repayable in the normal course of business.

Key management personnel compensation

Key management personnel consist of eleven top executives (2012: eleven top executives). In 2013 total compensation to key management personnel included in administrative expenses amounted to UAH 72 million (2012: UAH 62 million). Compensation to the key management personnel consists of salary and bonus payments and does not include payment under the long-term incentive program provision, that is described below.

Effective 1 January 2009, the Group entered into a management incentive program with certain top executives. Under the program, top executives are entitled to 2% of the Group's incremental value (net worth) increase over a benchmark amount. Total available under the program is capped at USD 100 million depending on the increase in the value of the Group, this amount is further capped by individual employee caps which total 39% of the maximum available. All participants deferred interim vesting and accordingly 100% were vested. In December 2013 the Group paid UAH 30 million out of UAH 312 million of provision accrued. No additional payments are expected connecting with this program, and unpaid amount of the provision was recognised in other operating income in amount of UAH 282 million.

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8 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In millions of Ukrainian Hryvnia	Mining assets	Oil and gas assets	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
At 1 January 2012							
Cost or valuation	8,255	-	7,412	11,569	1,032	4,530	32,798
Accumulated depreciation	(258)	-	(329)	(1,319)	(265)	-	(2,171)
NBV at 1 January 2012	**7,997**	**-**	**7,083**	**10,250**	**767**	**4,530**	**30,627**
Acquisition of subsidiaries (Note 33)	1,147	-	6,637	5,850	302	2,013	15,949
Additions	451	-	1,060	4,062	509	4,111	10,193
Disposals and other movements	-	-	(15)	(118)	(4)	(7)	(144)
Depreciation charge	(443)	-	(1,191)	(3,760)	(518)	-	(5,912)
Foreign exchange differences	27	-	4	7	1	-	39
Transfer	235	-	234	2,082	39	(2,590)	-
NBV at 31 December 2012	**9,414**	**-**	**13,812**	**18,373**	**1,096**	**8,057**	**50,752**
At 31 December 2012							
Cost or valuation	10,111	-	16,021	24,606	2,039	8,057	60,834
Accumulated depreciation	(697)	-	(2,209)	(6,233)	(943)	-	(10,082)
NBV at 31 December 2012	**9,414**	**-**	**13,812**	**18,373**	**1,096**	**8,057**	**50,752**
Acquisition of subsidiaries (Note 33)	-	7,853	380	50	40	1,000	9,323
Additions	664	-	670	3,210	429	5,337	10,310
Disposals and other movements	-	-	(18)	(60)	(10)	(865)	(953)
Depreciation charge	(478)	(53)	(1,372)	(4,356)	(415)	-	(6,674)
Foreign exchange differences	(19)	-	(4)	(15)	(1)	(3)	(42)
Transfer	95	-	662	2,878	109	(3,744)	-
NBV at 31 December 2013	**9,676**	**7,800**	**14,130**	**20,080**	**1,248**	**9,782**	**62,716**
At 31 December 2013							
Cost or valuation	10,841	7,853	17,923	30,519	2,559	9,782	79,477
Accumulated depreciation	(1,165)	(53)	(3,793)	(10,439)	(1,311)	-	(16,761)
NBV at 31 December 2013	**9,676**	**7,800**	**14,130**	**20,080**	**1,248**	**9,782**	**62,716**
NBV without revaluation at 31 December 2012	**7,550**	**-**	**10,684**	**15,858**	**1,026**	**7,911**	**43,029**
NBV without revaluation at 31 December 2013	**8,149**	**7,800**	**10,969**	**18,069**	**1,211**	**9,677**	**55,875**

During 2011, the Group engaged independent appraisers to determine the fair value of its property, plant and equipment. Fair value was determined with reference to depreciated replacement cost or market-based evidence, in accordance with International Valuation Standards.

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence.

The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Various market data was collected from published information, catalogues, statistical data etc, and industry experts and suppliers.

As at 31 December 2013, buildings, plant and machinery carried at UAH 433 million (31 December 2012: UAH 555 million) have been pledged to third parties as collateral for borrowings (Note 32).

In 2013, the depreciation expense of UAH 6,389 million (2012: UAH 5,733 million), net of amortisation of government grants, was included in cost of sales, UAH 136 million (2012: UAH 101 million) in general and administrative expenses, UAH 10 million (2012: UAH 10 million) in distribution expenses and UAH 55 million was capitalised (2012: UAH 48 million).

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8 Property, Plant and Equipment (Continued)

As at 31 December 2012, the construction in progress included UAH 848 million of advances made to Elektronaladka LLC. During 2013, the Group acquired 99% of Elektronaladka LLC (Note 33) and the change of advances made to Elektronaladka LLC was included to the disposal and other movements.

During 2013 the Group continued the construction of qualifying assets. This construction is financed through special-purpose and other borrowings. Borrowing costs capitalised during the 2013 were UAH 147 million (2012: UAH 124 million). The rate in the range between 9.16% and 8.63% was used to estimate borrowing costs subject to capitalisation (2012: between 9.60% and 16.00%).

As at 31 December 2013 the Group's property, plant and equipment carried at UAH 2,367 million and related to borrowings with carrying amount of UAH 2,308 million may not be sold, pledged or disposed without prior consent of the bank (31 December 2012 – UAH 1,150 million related to borrowings in amount of UAH 879 million).

9 Intangible Assets

As at 31 December, intangible assets comprise:

In millions of Ukrainian Hryvnia	2013	2012
Burshtyn electricity island	1,546	1,687
Other intangible assets	433	298
Total	**1,979**	**1,985**

The movements of other intangible assets, primarily unique capability of Zakhidenergo Burshtyn thermal plant to supply the Central European market with electricity ("Burshtyn electricity island", Note 33) were as follows:

In millions of Ukrainian Hryvnia	Cost	Accumulated amortisation and impairment	Net book value
As at 1 January 2012	**234**	**(51)**	**183**
Acquisition of subsidiaries (Note 33)	1,869	(4)	1,865
Additions / (Charge) for the year	137	(200)	(63)
As at 31 December 2012	**2,240**	**(255)**	**1,985**
Acquisition of subsidiaries (Note 33)	11	-	11
Additions / (Charge) for the year	183	(200)	(17)
As at 31 December 2013	**2,434**	**(455)**	**1,979**

In 2013, the amortisation expense of UAH 160 million (2012: UAH 145 million), net of amortisation of government grants, was included in cost of sales, and UAH 39 million (2012: UAH 35 million) in general and administrative expenses.

As at 31 December 2013 the remaining useful life of "Burshtyn electricity island" intangible asset was 11 years (31 December 2012: 12 years).

10 Goodwill

The movements of goodwill were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Book amount as at 1 January	**4,563**	**1,116**
Acquisition of DTEK Dniproenergo PJSC (Note 33)	-	1,999
Acquisition of DTEK Zakhidenergo PJSC (Note 33)	-	1,265
Acquisition of DTEK Donetskoblenergo PJSC (Note 33)	-	136
Acquisition of DTEK Dniprooblenergo PJSC (Note 33)	-	47
Book amount as at 31 December	**4,563**	**4,563**

Goodwill Impairment Test

Goodwill is allocated to cash-generating units ("CGUs") which represent the lowest level within the Group at which goodwill is monitored by management.

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10 Goodwill (Continued)

Management allocated goodwill to seven main CGUs:

In millions of Ukrainian Hryvnia	2013	2012
Coal mining:		
- DTEK Pavlogradugol PJSC	590	590
Electricity generation:		
- DTEK Dniproenergo PJSC	1,999	1,999
- DTEK Zakhidenergo PJSC	1,265	1,265
Energy distribution		
- Kyivenergo JSC	483	483
- DTEK Dniprooblenergo PJSC	47	47
- DTEK Donetskoblenergo PJSC	136	136
- DTEK Energougol ENE PJSC	43	43
Total	**4,563**	**4,563**

The recoverable amount has been determined based on a fair value less costs to sell calculations. Cash flow projections, based on strategic model approved by senior management covering 18 years projection period till 2030 for all entities, and market prices were used to determine projected sales. The Management believes that the assumptions used reflect market participant's expectations. In the year 2013 management changed the covering period for all cash flow projection from eight-year period for the period till 2030 according to approved long-term strategic model which described planed step by step changes in Group business process.

The following table summarises key assumptions for major components on the management has based its cash flow projections to undertake the impairment testing of goodwill.

	2013	2012
Coal mining – DTEK Pavlogradugol PJSC		
Post-tax discount rate	16%-17%	17%-16%
Revenue growth rate for the five-year period	4%-14%	6%-19%
Revenue growth rate after the five-year period till 18 year (2012 - till eighth year)	(12)%-8%	2%-6%
Gross margin	32%-44%	35%-47%
Electricity generation – DTEK Dniproenergo PJSC		
Post-tax discount rate	16%-17%	17%-16%
Revenue growth rate for the five-year period	8%-17%	(6)%-31%
Revenue growth rate after the five-year period till 18 year (2012 - till eighth year)	(7)%-20%	(5)%-18%
Gross margin	24%-27%	11%-25%
Electricity generation – DTEK Zakhidenergo PJSC		
Post-tax discount rate	16%-17%	17%-16%
Revenue growth rate for the five-year period	1%-16%	13%-29%
Revenue growth rate after the five-year period till 18 year (2012 - till eighth year)	(9)%-32%	3%-12%
Gross margin	14%-22%	16%-29%
Electricity distribution – DTEK Kyivenergo PJSC		
Post-tax discount rate	16%-17%	17%-16%
Revenue growth rate for the five-year period	(3)%-13%	(17)%-33%
Revenue growth rate after the five-year period till 18 year (2012 - till eighth year)	6%-10%	2%-11%
Gross margin	7%-17%	4%-13%

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10 Goodwill (Continued)

In assessing goodwill impairment management used a multi-period post-tax discount rate ranging from 17% in 2013 down to 16% in 2030 and onwards. The discount rate was calculated based on weighted average cost of capital for the Company.

The values assigned to the key assumptions represent management's best assessment of future trends in the business and are based on both external and internal sources. The Management believes that the assumptions used reflect market participant's expectations.

No impairment was recognised as a result of the assessment.

For the purposes of impairment testing, goodwill on Kyivenergo acquisition is allocated to electricity distribution segment. This unit represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The above estimates are particularly sensitive in the following areas:

- a decrease in selling tariffs by more than 7% in 2014 would cause the Group to recognise impairment of goodwill,
- in June 2012, changes were implemented into the Law of Ukraine on Natural Monopolies (#4998-VI dated 21 June 2012). Such changes introduced new provisions concerning implementation of the incentive regulation for tariffs of natural monopolists, such as the definition of the incentive regulation, regulatory assets base and rate of return and the major tariff elements to be included by the state authorities when setting tariffs. Also a onetime assets revaluation is envisaged for the determination of the regulatory asset base. The State Property Fund developed a draft methodology for the valuation of assets of the natural monopolists in October 2012, however, it is not yet approved. If tariff setting procedure will change from that included in the projection period, it may cause impairment of goodwill.

Based on the above assumptions, management determined that the fair value less costs to sell exceeds the carrying value of goodwill as at 31 December 2013. Accordingly, no impairment of goodwill was recognised as at 31 December 2013.

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11 Investments in Associates

The table below summarises the movements in the carrying amount of the Group's investment in associates.

In millions of Ukrainian Hryvnia	2013	2012
Carrying amount at 1 January	**12**	**5,574**
Additional investment in associates	-	480
Share of after tax results of associates	-	(205)
Unrealised profit on operations with associate	-	8
Revaluation of previously held interest to fair value (Note 33)	-	(385)
Reclassification to subsidiary (Note 33)	-	(5,445)
Disposal of associates	-	(15)
Carrying amount at 31 December	**12**	**12**

The Group's interests in its principal associates and their summarised financial information is presented below:

2013

In millions of Ukrainian Hryvnia	Country of incorporation	% of ownership	Carrying value	Total assets	Total liabilities	Revenue	Profit/ (loss)
Other	Ukraine	various	12	68	18	-	-
Total			**12**	**68**	**18**	**-**	**-**

2012

In millions of Ukrainian Hryvnia	Country of incorporation	% of ownership	Carrying value	Total assets	Total liabilities	Revenue	Profit/ (loss)
Other	Ukraine	various	12	43	14	-	(1)
Total			**12**	**43**	**14**	**-**	**(1)**

12 Financial Investments

As at 31 December, non-current financial investments comprised:

In millions of Ukrainian Hryvnia	2013	2012
Prepayment for other shares	280	160
Long-term deposits	266	84
Equity securities:		
- quoted	46	45
Total	**592**	**289**

As at 31 December, current financial investments were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Deposits placed	996	18
Restricted cash	53	80
Loans receivable (net of provision for impairment of UAH 17 million)	9	1
Total	**1,058**	**99**

As at 31 December 2013, UAH 266 million deposits placed with a maturity of more than three months were denominated in US dollars (31 December 2012: UAH 84 million).

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12 Financial Investments (Continued)

As at 31 December 2013 the Group has also made prepayments amounting to UAH 280 million (31 December 2012: UAH 160 million) for the controlling stake of Vanco Ukraine Limited, a company that has a license on an offshore oil and gas exploration and production project in the Black Sea. This acquisition is conditional upon certain regulatory approvals. Future commitments for the purchase of the additional shares amount to USD 15 million (UAH at 31 December 2013 – UAH 120 million).

As at 31 December 2013, UAH 266 million of term deposits were pledged as collateral for gross-settled derivative financial instruments (31 December 2012: UAH 84 million), UAH 696 million of term deposits and UAH 45 million of restricted cash were pledged as collateral for bank borrowings (31 December 2012: nil).

Current financial investments are neither past due nor impaired. The carrying amounts of deposits and loans approximate their fair values.

	2013		2012	
In millions of Ukrainian Hryvnia	**Deposits**	**Other**	**Deposits**	**Other**
Rating by Moody's Investors Service				
- A2 rated	-	44	-	-
- Ba3.ua rated	299	-	-	-
- Baa2 rated	2	9	-	-
- B3 rated	-	-	18	-
Non-rated	695	9	-	81
Total	**996**	**62**	**18**	**81**

Non-current financial investments are neither past due nor impaired. The carrying amounts of deposits and loans approximate their fair values.

	2013		2012	
In millions of Ukrainian Hryvnia	**Deposits**	**Other**	**Deposits**	**Other**
Rating by Moody's Investors Service				
- A2 rated	266	-	84	-
Non-rated	-	326	-	205
Total	**266**	**326**	**84**	**205**

As at 31 December 2013, UAH 280 million out of UAH 326 million represents prepayments made for the controlling stake in Vanco Ukraine Limited.

13 Inventories

As at 31 December, inventories were as follows:

In millions of Ukrainian Hryvnia	**2013**	**2012**
Coal	2,219	3,048
Raw materials	858	860
Spare parts	618	807
Work in progress	201	323
Gas	195	-
Goods for resale	26	17
Total inventories	**4,117**	**5,055**

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14 Trade and Other Receivables

As at 31 December, current trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Trade receivables (less provision of UAH 4,357 million) (2012: UAH 6,226 million)	8,738	4,702
Other financial receivables (less provision of UAH 587 million) (2012: UAH 589 million)	226	132
Total financial assets	***8,964***	***4,834***
Heat tariff compensation receivable	1,995	345
VAT recoverable (less provision of UAH 85 million) (2012: UAH 85 million)	753	890
Prepayments to suppliers (less provision of UAH 458 million) (2012: UAH 86 million)	490	1,388
Other (less provision of UAH 43 million) (2012: UAH 45 million)	126	61
Total non-financial assets	***3,364***	***2,684***
Total trade and other receivables	**12,328**	**7,518**

As at 31 December 2013, 3% of trade and other receivables are denominated in currency, other than UAH (31 December 2012:1%).

As at 31 December 2013, prepayments included UAH 9 million of prepayments for coal (31 December 2012: UAH 260 million). The remaining prepayments include prepayments for electricity subsequently sold for export, transportation and other services, and inventories.

Other financial receivables are receivables for goods for resale and services provided other than main operation activities of the Group.

Movements in the impairment provision for trade and other receivables were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Provision for impairment at 1 January	**7,031**	**2,462**
Acquisition of subsidiaries	367	7,187
Provision for impairment during the year	485	2,706
Reversal of provision	(2,300)	(5,282)
Amounts written off during the year as uncollectible	(53)	(42)
Provision for impairment at 31 December	**5,530**	**7,031**

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14 Trade and Other Receivables (Continued)

Analysis by credit quality of financial trade and other receivables is as follows:

	2013		2012	
In millions of Ukrainian Hryvnia	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Current and not impaired – exposure to				
- Energorynok SE	2,368	-	1,929	-
- Large Ukrainian corporates	157	13	254	4
- Medium sized companies	2,733	174	1,085	20
Total current and not impaired	**5,258**	**187**	**3,268**	**24**
Past due and individually impaired (gross)				
- less than 30 days overdue	1,030	7	1,401	-
- 30 to 90 days overdue	597	9	620	34
- 90 to 180 days overdue	664	9	300	31
- 180 to 360 days overdue	1,754	120	1,080	72
- over 360 days overdue	3,792	481	4,259	560
Total past due and individually impaired	**7,837**	**626**	**7,660**	**697**
Less impairment provision	**(4,357)**	**(587)**	**(6,226)**	**(589)**
Total	**8,738**	**226**	**4,702**	**132**

15 Cash and Cash Equivalents

As at 31 December, cash and cash equivalents were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Bank balances payable on demand	4,735	4,759
Restricted cash	373	291
Term deposits with original maturity of less than three months	135	310
Total cash and cash equivalents	**5,243**	**5,360**

As at 31 December 2013, cash and cash equivalents of UAH 930 million were denominated in US dollars (31 December 2012: UAH 901 million), UAH 591 million were denominated in EUR (31 December 2012: UAH 789 million), UAH 199 million were denominated in RUB (31 December 2012: UAH 218 million).

As at 31 December 2013 and 2012, no term deposits with original maturity of less than three months were pledged as collateral for borrowings or bank guarantees received.

As at 31 December 2013, restricted cash in the amount of UAH 373 million (31 December 2012: UAH 291 million) was used to cover letter of credit for purchase of equipment. For the purposes of the cash-flow statements this amount is not included in cash and cash equivalents balance.

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15 Cash and Cash Equivalents (Continued)

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	2013			2012		
In millions of Ukrainian Hryvnia	Bank balances payable on demand	Term deposits	Restricted cash	Bank balances payable on demand	Term deposits	Restricted cash
Rating by Moody's Investors Service						
- A3 rated	20	-	-	31	1	-
- Caa2 rated	66	-	-	-	-	-
- A3.ua rated	-	-	-	530	-	200
- A2 rated	367	-	-	20	-	-
- B1 rated	-	-	-	75	-	-
- Ba1 rated	-	-	-	34	-	-
- Baa1 rated	101	31	-	271	8	-
- Ba3.ua rated	2,498	104	373	-	-	-
- Baa2 rated	134		-	-	-	-
- B3 rated	-	-	-	108	-	88
- Baa3.ua rated	-	-	-	2,294	296	3
- Caa1 rated	-	-	-	208	-	-
Rated by Fitch Ratings						
AAA(UKR)	1,546	-	-	1,135	5	
Non-rated	3	-	-	53		-
Total	**4,735**	**135**	**373**	**4,759**	**310**	**291**

16 Share Capital

The authorised share capital of DTEK Holdings B.V. comprises 15,000 ordinary shares with a nominal value of Euro 10 per share. All shares carry one vote. At 31 December 2013 and 2012, the issued and fully paid share capital comprised 3,000 ordinary shares.

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17 Other Reserves

In millions of Ukrainian Hryvnia	Additional paid in capital	Hedge reserve	Financial liabilities remeasurement reserve	Revaluation reserve	AFS reserve	Currency translation reserve	Total
Balance at 1 January 2012	**(4,199)**	**-**	**-**	**10,074**	**(144)**	**-**	**5,731**
Financial investments:							
- Fair value losses less gains	-	-	-	-	60	-	**60**
- Recognition of AFS reserve on transfer to associate	-	-	-	-	63	-	**63**
Property, plant and equipment:							
- Change in estimate relating to asset retirement provision recorded in equity	-	-	-	(9)	-	-	**(9)**
- Realised revaluation reserve	-	-	-	(1,356)	-	-	**(1,356)**
Income tax recorded in equity	-	-	-	195	(4)	-	**191**
Transfer from associates to subsidiary - recycling of revaluation reserve to retained earnings	-	-	-	(1,252)	-	-	**(1,252)**
Currency translation reserve	-	-	-	-	-	42	**42**
Balance at 31 December 2012	**(4,199)**	**-**	**-**	**7,652**	**(25)**	**42**	**3,470**
Property, plant and equipment:							
- Change in estimate relating to asset retirement provision recorded in equity	-	-	-	(40)	-	-	**(40)**
- Realised revaluation reserve	-	-	-	(1,098)	-	-	**(1,098)**
Income tax recorded in equity	-	-	-	148	-	-	**148**
Effective portion of change in the fair value of cash flow hedges	-	(281)	-	-	-	-	**(281)**
Reclassification adjustment in relation to cash flow hedges	-	531	-	-	-	-	**531**
Remeasurement of financial liabilities	-	-	(1,586)	-	-	-	**(1,586)**
Currency translation reserve	-	-	-	-	-	(26)	**(26)**
Balance at 31 December 2013	**(4,199)**	**250**	**(1,586)**	**6,662**	**(25)**	**16**	**1,118**

The revaluation reserve, AFS reserve and currency translation reserve are not distributable to the shareholders until they are transferred to retained earnings.

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. Group subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation and, accordingly, management believes at present it would not be appropriate to disclose the amount of distributable reserves in these consolidated financial statements.

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17 Other Reserves (Continued)

Other comprehensive income, net of tax, is as follows:

In millions of Ukrainian Hryvnia	Other reserves	Hedge reserve	Retained earnings	Total other comprehensive income
2012				
Financial investments:				
- Fair value gain/(loss)	60	-	-	**60**
- Income tax recorded on available-for-sales financial assets	(4)	-	-	**(4)**
- Recognition of AFS reserve on transfer to associate	63	-	-	**63**
Re-measurements of post-employment benefit obligations		-	145	**145**
Income tax recorded on re-measurements of post-employment benefit obligations	-	-	(23)	**(23)**
Property, plant and equipment:				
- Change in estimate for asset retirement obligation	(9)	-	-	**(9)**
Currency translation reserve	42	-	-	**42**
Total	**152**	**-**	**122**	**274**
2013				
Financial investments:	-	-	-	-
- Fair value gain/(loss) , net of tax	-	-	-	-
Effective portion of change in the fair value of cash flow hedges	-	(281)	-	**(281)**
Reclassification adjustment in relation to cash flow hedges	-	531	-	**531**
Re-measurements of post-employment benefit obligations	-	-	(572)	**(572)**
Income tax recorded on re-measurements of post-employment benefit obligations	-	-	92	**92**
Change in estimate for asset retirement obligation	(40)	-	-	**(40)**
Currency translation reserve	(26)	-	-	**(26)**
Total	**(66)**	**250**	**(480)**	**(296)**

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18 Borrowings

As at 31 December, borrowings were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Non-current		
Eurobonds	7,478	3,941
Bank borrowings	14,780	13,315
	22,258	**17,256**
Current		
Bank borrowings	4,336	3,109
Interest accrual	416	297
	4,752	**3,406**
Total borrowings	**27,010**	**20,662**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

In April 2010, DTEK Finance B.V., a finance vehicle of the Company, issued USD 500 million (UAH 3,963 million) 5 year Eurobonds bearing a 9.5% coupon. The Eurobonds are unsecured. The bond indenture contains specific covenants, including limitation on payments to shareholders, restrictions on permissible business activities, requirements for arm's length affiliate transactions, financial disclosure requirements and maximum permissible level of leverage. Events of default are comprehensive and include cross-default to other DTEK debt.

In October 2012, the Group entered into 5-year loan agreement with ING, Gazprombank OJSC, Sberbank of Russia and UniCredit Bank for EUR 416 million (UAH 4,380 million). The Group used the proceeds from the loan to finance the capital investment programme. The loans are unsecured. The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

In April 2013 the Group announced the Tender Offer for cash up to an aggregate principal amount of USD 300 million of the outstanding USD 500 million 5 year Eurobonds due in 2015. The purpose of the Tender Offer is to refinance a portion of the Group's indebtedness and proactively manage the debt maturity profile by acquiring outstanding Notes out of proceeds generated from the issuance and offering of the new Eurobonds. The Tender Offer was dependant on the issue of new Eurobonds due in 2018. Together with the Tender Offer the Group announced the Consent Solicitation to change certain covenants.

In April 2013, DTEK Finance PLC, a finance vehicle of the Company, issued USD 750 million 5 year Eurobonds bearing 7.875% coupon. The Eurobonds are unsecured. The new Eurobond indenture contains specific covenants, including limitations on payments to shareholders, restrictions on permissible business activities, requirements for arm's length affiliate transactions, financial disclosure requirements and a maximum permissible level of leverage. Events of default are comprehensive and include cross-default to other DTEK debt. A portion of net proceeds from the Eurobonds issue were used to finance the Tender Offer and Consent Solicitation. The remaining proceeds were used to finance the Group's investment programme, working capital needs and to repay existing indebtedness.

In August 2013 the Group entered into pre-export financing (PXF) loan agreement with group of banks for the total amount USD 375 million. The PXF loan is structured in two tranches of USD 153 million due in 2016 and of USD 222 million due in 2018. The loan was secured with short-term deposit and future sales proceeds (Note 32). The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

In September 2013 the Group entered into a 10-year credit line agreement with LandesBank Berlin for the total amount EUR 138 million and a 5-year credit line agreement with VTB Capital PLC for the total amount RUB 4 billion. The Group used the proceeds from the loans to finance the capital investment programme and working capital. Both loans are unsecured. The loan agreements contain specific covenants, including restrictions on permissible business activities, financial disclosure requirements and maximum permissible level of leverage. Events of default among others include cross-default to other DTEK debt.

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18 Borrowings (Continued)

As at 31 December, the Group's borrowings were denominated in the following currencies:

In millions of Ukrainian Hryvnia		2013	2012
Borrowings denominated in:	- UAH	941	1,810
	- US Dollars	11,663	5,083
	- Euros	6,996	6,744
	- Roubles	7,410	7,025
Total borrowings		**27,010**	**20,662**

As at 31 December, the Group's loans and borrowings maturity and re-pricing were as follows:

	Maturity		Interest re-pricing	
In millions of Ukrainian Hryvnia	**2013**	**2012**	**2013**	**2012**
Loans and borrowings due:				
- within 1 year	4,752	3,406	19,387	15,660
- between 1 and 5 years	21,015	16,852	7,623	5,002
- after 5 years	1,243	404	-	-
Total borrowings	**27,010**	**20,662**	**27,010**	**20,662**

The effective interest rates and currency denomination of loans and borrowings as at the balance sheet date were as follows:

	2013				2012			
In % per annum	**UAH**	**USD**	**EUR**	**RUB**	**UAH**	**USD**	**EUR**	**RUB**
	Kievprime 1m - 18%	Libor (3m - 12m, after - 1m) + 5.2% - 9.5%	Euribor 6m + 1.4% - Euribor 3m +7%	Mosprime 3m + 3.4% - Mosprime 3m + 4.45%	9.25%-21%	LIBOR 6m + 0.5% - LIBOR 1m +6.5%	EURIBOR 6m + 0.94% - EURIBOR 3m + 7.5%	Mosprime 3m + 3.4% - 11%
Total borrowings	**941**	**11,663**	**6,996**	**7,410**	**1,810**	**5,083**	**6,744**	**7,025**

As at 31 December 2013, borrowings totalling UAH 1 million (31 December 2012: UAH 265 million) were secured with property, plant and equipment (Note 32).

19 Other Financial Liabilities

As at 31 December, non-current financial liabilities comprised:

In millions of Ukrainian Hryvnia	2013	2012
Deferred consideration for acquisition	4,954	1,951
Restructured trade payables	1,454	1,303
Gross-settled derivative financial instruments	801	284
Payable for finance lease	233	230
Restructured taxes payable	32	71
Other long-term financial liabilities	29	21
Total non-current other financial liabilities	**7,503**	**3,860**

Restructured trade payables include UAH 1,349 million (31 December 2012: UAH 1,178 million) of restructured long-term payable to the energy seller monopolist state-owned Energorynok which sells the energy to distribution companies of the Group, and UAH 105 million of restructured trade payable for state-owned Vugillya Ukrayiny. Restructured trade payables are recognised at amortised cost and are discounted at a rate range of 14.8% to 19.30%.

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19 Other Financial Liabilities (Continued)

During 2011 – 2013 DTEK concluded agreements for a swap of RUB loans with floating rate for a USD and EUR loans with fixed rate. As described in Note 3, the Group adopted hedge accounting for these transactions starting from 1 January 2013. The Group designated these swap agreements as cash flow hedge and recognised a net loss of UAH 281 million (2012: nil) in other comprehensive income, that was reclassified to foreign exchange gains from borrowings in amount of UAH 464 million (2012: nil) and finance costs in amount of UAH 67 million (2012: nil). In 2012 full fair value loss on the derivative amounting to UAH 284 million was recognised in finance costs in the income statement (Note 30).

As part of acquisition of mining assets in 2011, the Group assumed certain restructured tax obligations that are due between 2013 and 2030. The obligations have been discounted at implied rates in a range from 16.6% to 18.6%.

As at 31 December, current financial liabilities of the Group comprised:

In millions of Ukrainian Hryvnia	2013	2012
Current portion of restructured trade payable	180	146
Current portion of deferred consideration	52	65
Restructured taxes payable	38	46
Current part of payable for finance lease	19	20
Other current financial liabilities	1	23
Total current other financial liabilities	**290**	**300**

20 Retirement Benefit Obligations

The Group's production companies have a legal obligation to compensate the Ukrainian state pension fund for additional pensions paid to certain categories of former employees of the Group. There are also lump sum benefits payable upon retirement and post-retirement benefit programs.

In 2013 the defined benefit plan covers 131,435 people, including 22,636 ex-employees (2012: 131,177 and 20,519 respectively).

None of the employee benefits plans stated below are funded.

The defined employee benefit liability as at 31 December originated as follows:

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Retirement benefits	3,727	3,039
Retirement benefits - coal support	1,004	1,038
Lump sum payments	400	356
Present value of Retirement benefit obligation	**5,131**	**4,433**

The amounts recognised in the income statement were as follows:

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Current service cost	202	223
Interest cost (Note 30)	557	554
Sequester	1	(19)
Foreign exchange losses	(4)	4
Total	**756**	**762**

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20 Retirement Benefit Obligations (Continued)

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

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Defined benefit obligation as at 1 January	**4,433**	**3,894**
Acquisition of subsidiaries (Note 33)	-	504
Current service cost	202	223
Interest cost (Note 30)	557	554
Sequester	1	(19)
Foreign exchange losses	(4)	4
Benefits paid	(630)	(582)
Re-measurements of the defined benefit obligation in other comprehensive income	572	(145)
Defined benefit obligation as at 31 December	**5,131**	**4,433**

The estimate of pension obligations requires significant judgement (see Note 4). The principal actuarial assumptions used were as follows:

	2013	2012
Nominal discount rate	13.44%	13.53%
Nominal salary increase	5.00%	5.00%
Nominal pension entitlement increase	5.00%	5.00%

The sensitivity of the defined benefit obligation to changes in the principal assumptions is as follows:

	2013	2012
Nominal discount rate increase/decrease by 1%	(6.30)/7.11%	(6.09%)/6.87%
Nominal salary increase/decrease by 1%	2.69%/(2.48)	2.58%/(2.36%)
Nominal pension entitlement increase/decrease by 1%	2.69%/(2.48)	2.58%/(2.36%)

Experience adjustments for 2013 do not exceed UAH 572 million (2012: UAH 146 million; 2011: UAH 400 million; 2010: UAH 91 million; 2009: UAH 599 million; 2008: UAH 402 million).

The present value of unfunded defined benefit obligations totalled to UAH 3,894 million as at 31 December 2011 (31 December 2010: UAH 1,912 million, 31 December 2009: UAH 1,655 million).

Payments in respect of post-employment benefit plan obligations expected to be made during the year ending 31 December 2014 are UAH 652 million (2013: UAH 638 million).

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21 Provisions for Other Liabilities and Charges

Movements in provisions for liabilities and charges are as follows:

In millions of Ukrainian Hryvnia	Assets retirement provision	Provision for legal claims	Total
At 1 January 2012	**435**	**165**	**600**
Change in estimates	9	-	9
Arising during the year	-	13	13
Acquisition of subsidiaries (Note 33)	44	8	52
Unwinding of discount (Note 30)	57	-	57
Reversal of provision	-	(125)	(125)
Utilised	(15)	(13)	(28)
At 31 December 2012	**530**	**48**	**578**
Change in estimates	96	-	96
Arising during the year	-	2	2
Acquisition of subsidiaries (Note 33)	3	966	969
Unwinding of discount (Note 30)	56	-	56
Reversal of provision	-	(14)	(14)
Utilised	(6)	(8)	(14)
At 31 December 2013	**679**	**994**	**1,673**

The asset retirement provision is attributable to the mining and energy generating activities of the Group resulting from the obligation to dismantle and remove the mines and remediate soils disturbed by the underground works and ash dumps. The increase of the asset retirement obligation was recorded in other reserves as the Group uses the fair value model to measure property, plant and equipment (Note 17).

Key assumptions used to calculate asset retirement provision were as follows:

	2013	2012
Pre-tax discount rate	14.94%	15.72%
Inflation long-term	5.00%	5.00%
Inflation middle-term	7.00%	7.00%

22 Trade and Other Payables

As at 31 December trade and other payables were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Trade payables	6,536	4,654
Liabilities for purchased property, plant and equipment	1,022	1,219
Dividends payable	62	51
Liabilities for purchased securities	17	35
Other creditors	222	315
Total financial payables	**7,859**	**6,274**
Accruals for employees' unused vacations	800	776
Wages and salaries payable	673	694
Long-term incentive bonus program for top executives (Note 7)	-	312
Other payables	65	106
Total non-financial payables	**1,538**	**1,888**
Total	**9,397**	**8,162**

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22 Trade and Other Payables (Continued)

Analysis by currency and future undiscounted cash flows of financial trade and other payables is as follows:

31 December 2013

In millions of Ukrainian Hryvnia	Trade payables	Liabilities for purchased securities	Liabilities for purchased property, plant and equipment	Dividends payable	Other creditors
Currency analysis:					
UAH denominated	6,458	17	935	62	217
USD denominated	6	-	41	-	3
EUR denominated	10	-	15	-	1
RUB denominated	59	-	28	-	1
GBP denominated	3	-	3	-	-
Total	**6,536**	**17**	**1,022**	**62**	**222**
Future undiscounted cash flow analysis:					
Up to 3 months	6,368	16	912	62	222
From 3 to 6 months	31	-	25	-	-
From 6 to 12 months	137	1	85	-	-
Total	**6,536**	**17**	**1,022**	**62**	**222**

31 December 2012

In millions of Ukrainian Hryvnia	Trade payables	Liabilities for purchased securities	Liabilities for purchased property, plant and equipment	Dividends payable	Other creditors
Currency analysis:					
UAH denominated	4,523	35	1,128	51	301
USD denominated	2	-	22	-	4
EUR denominated	29	-	1	-	9
RUB denominated	100	-	68	-	1
Total	**4,654**	**35**	**1,219**	**51**	**315**
Future undiscounted cash flow analysis:					
Up to 3 months	4,524	35	1,211	51	290
From 3 to 6 months	23	-	2	-	20
From 6 to 12 months	107	-	6	-	5
Total	**4,654**	**35**	**1,219**	**51**	**315**

23 Other Taxes Payable

As at 31 December other taxes payable were as follows:

In millions of Ukrainian Hryvnia	2013	2012
Value-added tax	781	405
Payroll taxes	393	416
Other taxes	539	338
Total other taxes payable	**1,713**	**1,159**

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24 Revenue and Heat Tariff Compensation

Analysis of revenue by category is as follows:

In millions of Ukrainian Hryvnia	2013	2012
Sale of electricity to final customers	38,525	31,834
Sale of electricity to electricity pool	35,170	30,733
Sale of steaming and coking coal	6,167	7,059
Sale of electricity abroad	4,522	5,002
Heat generation	3,578	3,647
Sale of gas	2,949	-
Other sales	229	65
Total	**91,140**	**78,340**

Geographical analysis of revenue is presented in Note 6.

Heat tariff compensation

Heat tariff compensation is a government grant and represents the difference between heat tariff required to cover all production costs plus reasonable margin and that imposed by the State, compensated to the Group regularly. The amount of the difference to be compensated to the Group by the State for 2013 was UAH 1,677 million (2012: UAH 4,241 million).

25 Cost of Sales

In millions of Ukrainian Hryvnia	2013	2012
Cost of electricity purchased for resale	39,551	33,006
Raw materials	12,879	13,764
Staff cost, including payroll taxes	12,101	10,870
Depreciation of property, plant and equipment and amortisation of intangible assets net of amortisation of government grants	6,549	5,878
Transportation services and utilities	4,674	4,355
Cost of gas purchased for resale	2,417	-
Taxes, other than income tax	1,648	963
Production overheads	1,063	599
Equipment maintenance and repairs	653	713
Change in finished goods and work in progress	523	(478)
Cost of coal purchased for resale	362	1,060
Payment to Kyiv City State Administration for use of property, plant and equipment	238	2
Operating costs at Dobropolyeugol, Rovenkiantracyte, Sverdlovantracyte*	-	19
Other costs	37	27
Total	**82,695**	**70,778**

*Following the conclusion of concession agreements, DTEK paid an operating fee to the State entities until all employees were transferred to DTEK.

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26 Other Operating Income

In millions of Ukrainian Hryvnia	2013	2012
Net movement in provision for impairment of trade and other receivables and prepayments made (Note 14)	1,815	2,576
Income from reimbursement of cost of repairs	203	-
Penalties	97	102
Assets received free of charge	89	95
Income from write-off of provisions	84	124
Income from extinguishment of accounts payable	79	114
Income from recovery on previously written off trade receivables	24	29
Gain on sales of inventory	-	10
Income from sale of certified emission rights	-	10
Other	519	205
Total	**2,910**	**3,265**

Income from sale of certified emission rights was recognised at the moment when they were approved by the relevant authority and there was a binding contract to obtain economic benefits from their sale.

27 Distribution Costs

In millions of Ukrainian Hryvnia	2013	2012
Transportation	740	456
Staff cost, including payroll taxes	40	39
Depreciation	10	10
Other costs	177	89
Total	**967**	**594**

28 General and Administrative Expenses

In millions of Ukrainian Hryvnia	2013	2012
Staff cost, including payroll taxes	1,631	1,507
Office costs	192	87
Professional fees	313	297
Depreciation of property, plant and equipment and amortisation of intangible assets	175	136
Transportation	56	76
Taxes, other than income tax	32	45
Other costs	126	85
Total	**2,525**	**2,233**

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29 Other Operating Expenses

In millions of Ukrainian Hryvnia	2013	2012
Social payments	502	397
Expenses on idle capacity	304	84
Charitable donations and sponsorship	203	86
Maintenance of social infrastructure	189	150
Loss from sales of services	99	-
Penalties	91	273
Loss from disposal of non-current assets	71	83
Non-recoverable VAT	48	53
Loss from sales of inventory	24	-
Other	249	282
Total	**1,780**	**1,408**

30 Finance Income and Finance Costs

In millions of Ukrainian Hryvnia	2013	2012
Gain on initial recognition of long term accounts payable	205	307
Interest income on bank deposits	199	256
Unwinding of discount on long-term restructured accounts receivable	13	25
Other finance income	53	14
Total finance income	**470**	**602**
Interest expense		
- bank borrowings	1,398	1,169
- bonds issued	565	379
Unwinding of discounts on pension obligations (Note 20)	557	554
Unwinding of discounts on deferred consideration related to acquisition	302	273
Unwinding of discounts on long term accounts payable	260	359
Loss on early repayment of long-term payables	203	977
Tender costs	188	-
Amortised cost expenses on borrowings	128	58
Unwinding of discounts on assets retirement provision (Note 21)	56	57
Loss on initial recognition of long-term restructured accounts receivable	13	2
Change in fair value of derivative financial instruments (Note 19)	1	284
Other finance costs	83	71
Total finance costs	**3,754**	**4,183**

Tender costs comprise costs related to the Tender Offer for cash up to an aggregate principal amount of USD 300 million of the outstanding USD 500 million 5 year Eurobonds due in 2015 (Note 18).

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31 Income Taxes

Income tax expense comprises the following:

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Current tax	1,495	2,517
Deferred tax	361	(1,011)
Income tax expense	**1,856**	**1,506**

Deferred income tax related to items recognised in other comprehensive income:

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Change in asset retirement obligation	7	1
Unrealised gain on available-for-sale financial assets	-	(4)
Re-measurement of post-employment benefit obligations	92	(23)
Income tax reported in equity	**99**	**(26)**

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries (primarily in Ukraine). In 2013 Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 19% (2012: 21%). In 2013, the tax rate for Cyprus operations was 12.5% (2012: 10%).

On 1 September 2013 the Law "On Changes to the Tax Code of Ukraine in respect of transfer pricing rules" came into effect. The new transfer pricing rules are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and not supported by relevant documentation. The threshold for the reporting of controlled transactions is UAH 50 million (net of VAT, for all transactions with one counterparty cumulatively for the year). According to the tax changes, the Company is required to submit a report with details on controlled transactions by 1 May 2014, and relevant transfer pricing documentation not later than 1 month (2 months - select as appropriate) following the request of the tax office (if any).

Management believes that its pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Given that the practice of implementation of the new transfer pricing rules in Ukraine has not yet developed, the impact of any challenge of the Company's transfer prices cannot be reliably estimated; however, it may eventually be significant to the financial position and/or the overall operations of the Group depending on how the local tax authorities implement the final rules.

On 2 December 2010, a new Tax Code was adopted in Ukraine effective from 1 January 2011. According to the new Tax Code the rates for corporate income tax are due to decrease from 25% to 16% in several stages during 2011-2016. Deferred tax assets and liabilities are measured at the income tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates prescribed by the new Tax Code.

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31 Income Taxes (Continued)

Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Profit before income tax, including	**5,188**	**7,460**
Profit before income tax of Ukrainian companies	5,530	7,282
(Loss)/profit before income tax of non-Ukrainian companies	(342)	178
Income tax at statutory rates of 19-21% (Ukrainian operations)	**1,050**	**1,527**
Profit taxed at different rates 25% (Dutch operations)	**195**	**(11)**
Profit taxed at different rates 10-12,5% (Cyprus operations)	**(77)**	**60**
Profit taxed at different rates 20% (Russian operations)	**(93)**	**(73)**
Profit taxed at different rates 23% (UK operations)	**(4)**	**-**
Effect of changes in income tax rates in Ukraine	4	(74)
Effect of changes in Tax legislation in Ukraine	40	-
Tax effect of items not deductible or assessable for taxation purposes:		
- non-deductible expenses	1,019	683
- non-taxable income	(334)	(697)
Share of result and impairment of associates	-	26
Share of result of associate on transfer to subsidiary and AFS transfer to subsidiary	-	94
Unrecognised deferred tax on tax losses carried forward	304	32
Tax effect of gain from a bargain purchase	(248)	(61)
Income tax expense	**1,856**	**1,506**

The parent and its subsidiaries are separate tax payers and therefore the deferred tax assets and liabilities are presented on an individual basis. The deferred tax liabilities and assets reflected in the consolidated balance sheets as at 31 December are as follows:

In millions of Ukrainian Hryvnia	2013	2012 (as restated)
Deferred tax asset	934	930
Deferred tax liability	(3,173)	(1,499)
Net deferred tax liability	**(2,239)**	**(569)**

In millions of Ukrainian Hryvnia	1 January 2013	Acquisition of subsidiaries (Note 33)	Credited/ (charged) to income	Charged to equity	31 December 2013
Tax effect of deductible temporary differences					
Trade and other payables	378	-	(19)	-	359
Provisions for other liabilities and charges	106	-	45	-	151
Retirement benefit obligations	719	-	16	92	827
Trade and other receivables	1,009	-	(425)	-	584
Prepayments received	57	-	(54)	-	3
Inventories	268	-	(138)	-	130
Deferred consideration	315	-	59	-	374
Tax losses	53	-	181	-	234
Financial investments	234	-	(75)	-	159
Gross deferred tax asset	**3,139**	**-**	**(410)**	**92**	**2,821**
Tax effect of taxable temporary differences					
Property, plant and equipment	(2,693)	(1,410)	363	7	(3,733)
Other financial liabilities	(997)	-	118	-	(879)
Prepayments made	(18)	2	(10)	-	(26)
Trade and other receivables	-	-	(422)	-	(422)
Gross deferred tax liability	**(3,708)**	**(1,408)**	**49**	**7**	**(5,060)**
Recognised deferred tax asset/(liability)	**(569)**	**(1,408)**	**(361)**	**99**	**(2,239)**

31 Income Taxes (Continued)

In millions of Ukrainian Hryvnia	1 January 2012 (as restated)	Acquisition of subsidiaries (Note 33)	Credited/ (charged) to income	Charged to equity	31 December 2012 (as restated)
Tax effect of deductible temporary differences					
Trade and other payables	142	76	160	-	378
Provisions for other liabilities and charges	99	15	(8)	-	106
Retirement benefit obligations	612	90	40	(23)	719
Trade and other receivables	237	801	(29)	-	1,009
Prepayments received	44	(7)	20	-	57
Inventories	30	29	209	-	268
Deferred consideration	281	-	34	-	315
Tax losses	103	-	(50)	-	53
Financial investments	51	(3)	190	(4)	234
Gross deferred tax asset	**1,599**	**1,001**	**566**	**(27)**	**3,139**
Tax effect of taxable temporary differences					
Property, plant and equipment	(1,856)	(1,461)	623	1	(2,693)
Other financial liabilities	(61)	(766)	(170)	-	(997)
Prepayments made	(10)	-	(8)	-	(18)
Gross deferred tax liability	**(1,927)**	**(2,227)**	**445**	**1**	**(3,708)**
Recognised deferred tax asset/(liability)	**(328)**	**(1,226)**	**1,011**	**(26)**	**(569)**

Financial investments and other financial liabilities include deferred tax recognised on amortisation of intercompany bonds.

As at 31 December 2013, the Group has not recorded a deferred tax liability in respect of taxable temporary differences of UAH 288 million (31 December 2012: UAH 537 million) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

As at 31 December 2013, net recognised deferred tax liability of UAH 312 million is expected to be recovered or settled within twelve months after the reporting period.

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

32 Contingencies, Commitments and Operating Risks

Tax legislation. Ukrainian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group conducts intercompany transactions. It is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities under the new Tax Code, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, management believes that it should not be significant.

The group has income tax liabilities in various countries. The ultimate tax consequences of many transactions and calculations are uncertain, partly because of uncertainty concerning their timing. The Group continually assesses such matters and where final tax sums differ from the estimates such differences are recognised as income tax provisions in the period in which the differences become apparent.

The Company is required to submit a report with details on controlled transactions by 1 May 2014 according to the tax changes, and relevant transfer pricing documentation not later than 1 month (2 months - select as appropriate) following the request of the tax office (if any).

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. Management believes that it has provided for all material losses in these financial statements.

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32 Contingencies, Commitments and Operating Risks (Continued)

Capital expenditure commitments. As at 31 December 2013 and 2012, the Group does not have contractual capital expenditure commitments in respect of property, plant and equipment.

In December 2012 Dniproenergo issued bonds at nominal value of UAH 1,010 million following the requirements of the amicable agreement to bring the entity out of bankruptcy. The bonds bear nominal interest of 0.01% and mature in 30 years. The bonds are aimed to finance Dniproenergo investment programme. All bonds were purchased by Pavlogradugol and Komsomolets Donbassa Mine.

Following the acquisition of mining assets in 2011, the Group is committed to fund their investment programmes totalling UAH 7,727 million during the period 2011 through 2016. As at 31 December 2013 the outstanding commitment equals UAH 3,926 million (31 December 2012: UAH 5,538 million).

Purchase commitments. Future commitments for the purchase of the additional shares in Vanco is disclosed in financial investments (Note 12).

Assets pledged and restricted. At 31 December the Group has the following assets pledged as collateral:

In millions of Ukrainian Hryvnia	2013 Asset pledged	2013 Related liability	2012 Asset pledged	2012 Related liability
Financial investments (Note 12)	962	1,045	84	128
Property, plant and equipment (Note 8)	433	1	555	265
Cash and cash equivalents (Note 12 and 15)	45	45	371	200
Total	**1,440**	**1,091**	**1,010**	**593**

The Group has pledged proceeds from future sales of electricity and part of future volume of electricity as security for certain borrowings. Total amount of the pledge is set in the pledge agreements, and the maximum exposure of the group is limited to the outstanding loan balance and related liabilities. As at 31 December 2013 future sales proceeds and the volume of electricity production in amount of UAH 1,910 million were pledged as security for borrowings amounting UAH 4 million (31 December 2012: future sales proceeds and production of electricity totalling UAH 9,606 million were pledged as security for the borrowings of UAH 514 million). Nominal limits for those borrowings comprised UAH 386 million as at 31 December 2013 (2012: UAH 3,121 million).

The Group has pledged proceeds from future export sales of coal as security for its borrowings. As at 31 December 2013 future sales proceeds of coal in amount of UAH 4,644 million were pledged as security for borrowings amounting UAH 2,960 million. (31 December 2012: no proceeds from future export sales of coal were pledged).

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. Management believes that there are no significant liabilities for environmental damage.

Compliance with covenants. The Group is subject to certain covenants related primarily to its Eurobonds and bank borrowings. Non-compliance with such covenants may result in negative consequences for the Group, including increase in the cost of borrowings, declaration of default and demand for immediate repayment of borrowings. The Group is in compliance with covenants as at 31 December 2013 and 2012.

Insurance. The insurance industry in Ukraine is developing and many forms of insurance protection common in other parts of the world are not yet generally available. At present, Group's insurance policy incorporates "All Risks" Property Damage and Business Interruption coverage for generation and several mining companies as well as Marine Cargo, Construction "All Risks", Delay in Start-Up/Advances Loss of Profits and Third Party Liability coverage for wind power generation companies. In particular, the policy covers losses resulting from loss or damage of property, plant and equipment and loss of profit resulting from business interruption. The Group does not have full coverage for third party liability in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Group's operations.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of Ukrainian Hryvnia	2013	2012
Not later than 1 year	115	236
Later than 1 year and not later than 5 years	9	6
Total operating lease commitments	**124**	**242**

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32 Contingencies, Commitments and Operating Risks (Continued)

Lease of land. The Group leases the land on which its assets are located. The annual lease payment in 2013 amounted to UAH 126 million (2012: UAH 103 million). Those payments are cancellable lease commitments.

33 Business Combinations

Naftogazvydobuvania

On 1 November 2013 the Group acquired 45.00% shares of Naftogazvydobuvania PrJSC ('Naftogazvydobuvania'), for a cash consideration of USD 225 million (UAH 1,798 million). The purchase and sale agreement includes certain provisions which may require the Group to pay additional consideration to the sellers, the fair value of which is included in the purchase accounting.

Naftogazvydobuvania is an oil and gas production company operating two gas fields located in Poltava, Ukraine.

The following table summarises the preliminary fair values of the net assets acquired and purchase consideration at the date of acquisition. Fair value of mining reserves was determined by independent appraisers. Management is still in process of determining the fair values of all assets and liabilities and purchase consideration.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	9,317
Intangible assets	11
Other non-current assets	5
Inventories	125
Trade and other receivables (gross UAH 1,334 million)	967
Cash and cash equivalents	60
Other current assets	3
Provisions for other liabilities and charges	(969)
Other financial liabilities – non-current	(3)
Deferred income tax liability	(1,410)
Trade and other payables	(219)
Income tax payable	(158)
Other taxes payable	(157)
Fair value of 100% of net assets acquired	**7,572**
55.00% non-controlling interest	**(4,165)**
Share of net assets acquired	**3,407**
Purchase consideration:	**2,471**
Fair value of consideration payable and paid	2,471
Gain from a bargain purchase	**(936)**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	60
Consideration paid for acquisition of subsidiary	(1,798)
Net outflow of cash on acquisition of subsidiary	(1,738)

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest. Gain from a bargain purchase of UAH 936 million is recognised in the income statement.

Revenue and net profit of Naftogazvydobuvania included in the consolidated income statement from the date of acquisition totaled UAH 665 million and UAH 277 million, respectively. Since Naftogazvydobuvania has not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2013.

On 9 December 2013 the Group acquired additional 5.00% shares of Naftogazvydobuvania for a cash consideration of UAH 2 million, thus taking its total share to 50.00%. The purchase and sale agreement includes certain provisions which may require the Group to pay additional consideration to the sellers, the fair value of which is included in the purchase accounting. This transaction is accounted for as acquisition of non-controlling interest.

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33 Business Combinations (Continued)

Elektronaladka LLC

On 1 November 2013 the Group entered into agreements to acquire 99.00% of Elektronaladka LLC for a total cash consideration of UAH 1 million. Elektronaladka LLC is an engineering company which performs large-scale energy equipment modernization and new TPP power units' construction projects.

The following table summarises the preliminary fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined insignificant. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	6
Deferred income tax asset	2
Inventories	81
Trade and other receivables current	384
Cash and cash equivalents	1,290
Other current assets	327
Trade and other payables	(76)
Prepayments received	(1,957)
Fair value of 100% of net assets acquired	**57**
1.00% liability to non-controlling participants	**(1)**
Share of net assets acquired	**56**
Purchase consideration:	**1**
Fair value of consideration paid	1
Gain from a bargain purchase	**(55)**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	1,290
Consideration paid for acquisition of subsidiary	(1)
Net inflow of cash on acquisition of subsidiary	1,289

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Revenue and net loss of Elektronaladka LLC included in the consolidated income statement from the date of acquisition totaled UAH 42 million and UAH 5 million, respectively. Since Elektronaladka LLC has not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2013.

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33 Business Combinations (Continued)

Acquisitions during 2012

Acquisitions during 2012 – Dniproenergo

On 13 March 2012 the Group acquired 25.00% of Dniproenergo PJSC ('Dniproenergo') in a State organised privatisation auction, for a cash consideration of UAH 1,180 million, thus taking its total share to 72.93%.

Dniproenergo is a power generation company located in Zaporizhzhya, and was acquired via a) a series of transactions resulting in total interest acquired of 47.55% at a total cost of UAH 2,238 million, and b) via privatisation tender on 13 March 2012 resulting in additional 25% interest for a cash consideration of UAH 1,180 million.

The investment in Dniproenergo held prior to the acquisition was accounted for as investment in associate. As a result of the revaluation of the previously held interest to fair value at the date of acquisition, a UAH 206 million loss was recognised in the income statement.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	4,633
Intangible assets	7
Other non-current assets	48
Inventories	623
Trade and other receivables (gross UAH 3,649 million)	1,780
Current income tax	29
Cash and cash equivalents	29
Borrowings	(1,045)
Other financial liabilities – non-current	(93)
Provisions for other liabilities and charges	(2)
Retirement benefit obligations	(198)
Deferred income tax liabilities	(261)
Trade and other payables	(998)
Other taxes payable	(227)
Fair value of 100% of net assets acquired	**4,325**
27.07% non-controlling interest	**(1,170)**
Share of net assets acquired	**3,155**
Purchase consideration:	**5,154**
Fair value of consideration paid	1,180
Fair value of previously held interest	3,974
Goodwill	**1,999**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	29
Consideration paid for acquisition of subsidiary	(1,180)
Net outflow of cash on acquisition of subsidiary	(1,151)

The non-controlling interest represents the share of the net assets of the acquiree attributable to the owners of the non-controlling interest.

Goodwill has been computed as the difference between the net assets acquired and the purchase consideration and represents the expected future economic benefits from access to the Dniproenergo generation capacities due to synergies.

Revenue and net profit of Dniproenergo included in the consolidated income statement from the date of acquisition totaled UAH 7,546 million and UAH 1,355 million, respectively. If the acquisition had been completed on 1 January 2012, the revenues of the Group would be approximately UAH 1,685 million higher and net profit of the Group would be approximately UAH 400 million lower (unaudited).

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33 Business Combinations (Continued)

Acquisitions during 2012 – Zakhidenergo

On 10 January 2012 the Group acquired 45.10% of Zakhidenergo PJSC ('Zakhidenergo') in a State organised privatisation auction, for a cash consideration of UAH 1,932 million, thus taking its total share to 70.94%.

Zakhidenergo PJSC is an electricity generation company located in Lviv.

The investment in Zakhidenergo held prior to the acquisition was accounted for as investment in associate. As a result of the revaluation of the previously held interest to fair value at the date of acquisition, a UAH 42 million loss was recognised in the income statement.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment and intangible assets were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	3,031
Intangible assets	1,825
Other non-current assets	4
Inventories	528
Trade and other receivables (gross UAH 531 million)	393
Financial investments - current	30
Borrowings	(781)
Other financial liabilities – non-current	(26)
Retirement benefit obligations	(167)
Deferred income tax liabilities	(361)
Provisions for other liabilities and charges	(37)
Trade and other payables	(1,101)
Prepayments received	(640)
Other financial liabilities – current	(93)
Other taxes payable	(104)
Fair value of 100% of net assets acquired	**2,501**
29.06% non-controlling interest	**(727)**
Share of net assets acquired	**1,774**
Purchase consideration:	**3,039**
Fair value of consideration paid	1,932
Fair value of previously held interest	1,107
Goodwill	**1,265**

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Goodwill has been computed as the difference between the net assets acquired and the purchase consideration and represents the expected future economic benefits from access to the Zakhidenergo generation capacities due to synergies.

As a part of net assets acquired there is an intangible asset of UAH 1,823 million recognised representing the unique capability of Burshtyn thermal power plant to supply the Central European market with electricity ("Burshtyn electricity island"). This intangible asset has a definite useful life of 13 years and is depreciated on a straight line basis over this period. Respective deferred tax liability of UAH 302 million was recognised as a part of net assets acquired.

Revenue and net profit of Zakhidenergo included in the consolidated income statement from the date of acquisition totaled UAH 9,626 million and UAH 174 million, respectively. If the acquisition had been completed on 1 January 2012, the revenues of the Group would be approximately UAH 242 million higher and net profit of the Group would be approximately UAH 40 million lower (unaudited).

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33 Business Combinations (Continued)

Acquisitions during 2012 – Donetskoblenergo

On 11 January 2012 the Group acquired 40.06% of Donetskoblenergo PJSC ('Donetskoblenergo') in a State organised privatisation auction, for a cash consideration of UAH 468 million, thus taking its total share to 71.34%.

Donetskoblenergo PJSC is an electricity distribution company located in the Donetsk region of Ukraine.

The investment in Donetskoblenergo held prior to the acquisition was accounted for as investment in associate. As a result of the revaluation of the previously held interest to fair value at the date of acquisition, a UAH 137 million loss was recognised in the income statement.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	1,957
Intangible assets	1
Other non-current assets	10
Inventories	46
Trade and other receivables (gross UAH 3,215 million)	367
Cash and cash equivalents	149
Borrowings	(30)
Other financial liabilities – non-current	(291)
Deferred income tax liabilities	(320)
Trade and other payables	(555)
Prepayments received	(260)
Income tax payable	(21)
Other taxes payable	(78)
Fair value of 100% of net assets acquired	**975**
28.66% non-controlling interest	**(279)**
Share of net assets acquired	**696**
Purchase consideration:	**832**
Fair value of consideration paid	468
Fair value of previously held interest	364
Goodwill	**136**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	149
Consideration paid for acquisition of subsidiary	(468)
Net outflow of cash on acquisition of subsidiary	(319)

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Goodwill has been computed as the difference between the net assets acquired and the purchase consideration and represents the expected future economic benefits from access to the Donetskoblenergo distribution network and the customer base due to synergies.

Revenue and net loss of Donetskoblenergo included in the consolidated income statement from the date of acquisition totaled UAH 5,355 million and UAH 168 million, respectively. If the acquisition had been completed on 1 January 2012, the revenues of the Group would be approximately UAH 169 million higher and net profit of the Group would be approximately UAH 4 million lower (unaudited).

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33 Business Combinations (Continued)

Acquisitions during 2012 – Dniprooblenergo

On 17 April 2012 the Group acquired 50.00% shares of Dniprooblenergo PJSC ('Dniprooblenergo') in a State organised privatisation auction, for a cash consideration of UAH 660 million thus taking its total share to 51.50%.

Dniprooblenergo PJSC is an electricity distribution company located in Dnipropetrovsk.

The investment in Dniprooblenergo held prior to the acquisition was accounted for as available for sale investment. As a result of the revaluation of the previously held interest to fair value at the date of acquisition, a UAH 59 million loss was recognised in the income statement.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	2,486
Intangible assets	12
Inventories	75
Trade and other receivables (gross UAH 1,813 million)	379
Cash and cash equivalents	41
Other financial liabilities – non-current	(687)
Deferred income tax liability	(83)
Trade and other payables	(586)
Prepayments received	(341)
Current income tax payable	(12)
Other taxes payable	(55)
Fair value of 100% of net assets acquired	**1,229**
48.50% non-controlling interest	**(596)**
Share of net assets acquired	**633**
Purchase consideration:	**680**
Fair value of consideration paid	660
Fair value of previously held interest	20
Goodwill	**47**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	41
Consideration paid for acquisition of subsidiary	(660)
Net outflow of cash on acquisition of subsidiary	(619)

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Goodwill has been computed as the difference between the net assets acquired and the purchase consideration and represents the expected future economic benefits from access to the Dniprooblenergo distribution network and the customer base due to synergies.

Revenue and net profit of Dniprooblenergo included in the consolidated income statement from the date of acquisition totaled UAH 11,230 million and UAH 268 million, respectively. Since Dniprooblenergo has not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2012.

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33 Business Combinations (Continued)

Acquisitions during 2012 – Krymenergo

On 5 May 2012 the Group acquired 45.00% shares of Krymenergo PJSC ('Krymenergo') in a State organised privatisation auction, for a cash consideration of UAH 256 million thus taking its total share to 57.49%.

Krymenergo PJSC is an electricity distribution company located in Simferopol, Ukraine.

The investment in Krymenergo held prior to the acquisition was accounted for as available for sale investment. As a result of the revaluation of the previously held interest to fair value at the date of acquisition, a UAH 4 million loss was recognised in the income statement.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management.

In millions of Ukrainian Hryvnia	
Property, plant and equipment	2,322
Intangible assets	3
Financial investments – non-current	5
Other non-current assets	19
Inventories	14
Trade and other receivables (gross UAH 1,001 million)	103
Cash and cash equivalents	28
Borrowings	(21)
Other financial liabilities – non-current	(444)
Deferred income tax liability	(155)
Trade and other payables	(88)
Prepayments received	(125)
Current income tax payable	(13)
Other taxes payable	(28)
Fair value of 100% of net assets acquired	**1,620**
42.51% non-controlling interest	**(689)**
Share of net assets acquired	**931**
Purchase consideration:	**327**
Fair value of consideration paid	256
Fair value of previously held interest	71
Gain from a bargain purchase	**(604)**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	28
Consideration paid for acquisition of subsidiary	(256)
Net outflow of cash on acquisition of subsidiary	(228)

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Gain from a bargain purchase has been computed as the difference between the net assets acquired and the purchase consideration and occurred as a result of the term and conditions set out in the privatisation process used by the State Property Fund in establishing the starting price calculation. Gain from a bargain purchase is recognised in the income statement.

Revenue and net profit of Krymenergo included in the consolidated income statement from the date of acquisition totaled UAH 1,640 million and UAH 30 million, respectively. Since Krymenergo has not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2012.

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33 Business Combinations (Continued)

Acquisitions during 2012 – Bilozerska Mine

On 17 and 24 February 2012 the Group entered into agreements to acquire 95.44% of Bilozerska Mine ALC for a total cash consideration of UAH 202 million. Bilozerska Mine operates one coal mine located in the Donetsk region of Ukraine producing 0.60 million tons of coal per annum.

The following table summarises the fair values of the net assets acquired at the date of acquisition. Fair values of property, plant and equipment were determined by independent appraisers. The fair values of all other assets and liabilities were determined by management in the year of acquisition and no subsequent adjustments were made.

In millions of Ukrainian Hryvnia	
Property, plant and equipment, including mineral reserves	1,100
Intangible assets	1
Inventories	24
Trade and other receivables (gross UAH 20 million)	20
Borrowings	(289)
Retirement benefit obligations	(94)
Other financial liabilities – non-current	(267)
Deferred income tax liability	(32)
Trade and other payables	(64)
Prepayments received	(142)
Other taxes payable	(45)
Fair value of 100% of net assets acquired	**212**
4.60% liability to non-controlling participants	**(10)**
Share of net assets acquired	**202**
Fair value of consideration paid	**202**

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest.

Revenue and net loss of Bilozerska Mine included in the consolidated income statement from the date of acquisition totaled UAH 271 million and UAH 131 million, respectively. Since Bilozerska Mine has not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2012.

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33 Business Combinations (Continued)

Acquisitions during 2012 – Rostov Mines

During June 2012 the Group entered into agreement to acquire 100% of Public company Don-Anthracite, Public Mining Corporation Obukhovskaya, and Sulinathracite LLC, for a total cash consideration UAH 310 million. Those companies represent three mines located in Rostov region, Russian Federation.

The following table summarises the fair values of the net assets acquired at the date of acquisition. The fair values of all other assets and liabilities were determined by management in the year of acquisition and no subsequent adjustments were made.

In millions of Ukrainian Hryvnia	
Property, plant and equipment, including mineral reserves	420
Intangible assets	16
Inventories	32
Trade and other receivables (gross UAH 46 million)	46
Cash and cash equivalents	14
Borrowings	(89)
Provisions for other liabilities and charges	(13)
Retirement benefit obligations	(45)
Deferred income tax liability	(14)
Trade and other payables	(57)
Fair value of 100% of net assets acquired	**310**
Share of net assets acquired	**310**
Fair value of consideration paid	**310**
Cash flows on acquisition of subsidiary	
Cash and cash equivalents of the subsidiary	14
Consideration for acquiree's debt to previous owner	(307)
Consideration paid for acquisition of subsidiary	(3)
Net outflow of cash on acquisition of subsidiary	(296)

In case the subsoil exploration licences acquired in this business combination are not renewed by the Group in 2013, DTEK will have the right to claim the associated losses and expenses incurred against the previous owner of the Rostov mines. The latter will have the right to exercise a call option to buy the shares of the mines back. Until this call option agreement is terminated DTEK may not sell any of the shares or debt acquired from the previous owner or make any changes to the common shares of the entities acquired.

Revenue and net loss of Rostov Mines included in the consolidated income statement from the date of acquisition totaled UAH 102 million and UAH 387 million, respectively. Since Rostov Mines have not produced IFRS financial information before acquisition, no IFRS values are available for disclosure of impact on the revenues and net profit of the Group, if the acquisition had been completed on 1 January 2012.

34 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies seek to minimise the potential adverse effects on the Group's financial performance for those risks that are manageable or noncore to the power generating business.

Risk management is carried out by a centralised treasury department working closely with the operating units, under policies approved by the supervisory board. The Group treasury identifies, evaluates and proposes risk management techniques to minimise these exposures.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

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34 Financial Risk Management (Continued)

Credit risk is managed on an entity by entity basis with oversight by the Group. Credit risk arises from cash and cash equivalents, financial instruments and deposits with banks, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions. For Banks only SCM related banks or upper tier Ukrainian banks are accepted, which are considered at time of deposit to have minimal risk of default. Customers can be analysed between Energorynok SE, which buys 100% of electricity generated, industrial consumers and other. Due to the monopolistic nature of electricity supply by region, the Group cannot choose its customers, and instead must supply all customers within its distribution network. Sales are metered and management monitors ageing of receivables for industrial customers on a regular basis and ultimately may cut off supply for delinquent customers. For supply to municipal and the general populous, due to the low tariff structure and the political nature of disrupting supply management will continue to supply in the event non-payment and will use non-payment as justification for higher tariff increases for industrial customers. The exposure to credit risk for other customers is approved and monitored on an ongoing basis individually for all significant customers. The Group does not require collateral in respect of trade and other receivables.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets. The Group does not create provision for receivables from related parties.

The maximum exposure to credit risk at the reporting date is UAH 15,875 million (2012: UAH 10,477 million) being carrying value of financial investments, trade and other receivables and cash. The Group does not hold any collateral as security.

Credit risks concentration. The Group is exposed to concentrations of credit risk.
The table below shows the balance of the major counterparties at the balance sheet date.

Counterparty	Classification in balance sheet	31 December 2013	31 December 2012
First Ukrainian International Bank (FUIB)**	Cash and cash equivalents	2,437	1,292
Ukrsotsbank PJSC*	Cash and cash equivalents	1,484	983
State Savings Bank of Ukraine PJSC*	Cash and cash equivalents	492	1,274
Deutsche Bank AG Amsterdam	Cash and cash equivalents	366	-
VTB Bank PJSC*	Cash and cash equivalents	142	279
Sberbank of Russia	Cash and cash equivalents	133	111
Russian Commercial Bank	Cash and cash equivalents	66	75
Ukrsibbank PJSC*	Cash and cash equivalents	62	158
Subsidiary Bank Sberbank of Russia PJSC*	Cash and cash equivalents	11	224
Marfin Popular Bank	Cash and cash equivalents	-	208
Ukreximbank PJSC*	Cash and cash equivalents	-	196
Prominvestbank PJSC*	Cash and cash equivalents	-	285
OTP Bank CJSC*	Cash and cash equivalents	-	109
Ukrsotsbank PJSC*	Financial investment	696	-
First Ukrainian International Bank (FUIB)**	Financial investment	205	-
State Savings Bank of Ukraine PJSC*	Financial investment	93	17
State Company Energorynok	Trade and other receivables	3,177	1,824
State Company Vugillya Ukrainy	Trade and other receivables	690	-
State Company Voda Donbassu	Trade and other receivables	584	-
Kievvodokanal OJSC	Trade and other receivables	236	-
Komenergoservis	Trade and other receivables	150	-
AZTECREACH TRADING LIMITED	Trade and other receivables	127	-
EDF Trading Limited	Trade and other receivables	105	-
Metinvest Holding LLC**	Trade and other receivables	-	220

* These banks rank in the top 35 Ukrainian banks by size of total assets and capital (per National Bank of Ukraine).

** FUIB and Metinvest Holding are subsidiaries of SCM.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity investments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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34 Financial Risk Management (Continued)

Currency risk. The Group primarily operates within Ukraine and accordingly its exposure to foreign currency risk is determined mainly by borrowings, gross settled derivative financial instruments, cash balances and deposits, which are denominated in or linked to USD, EUR and RUB., Increasing domestic uncertainty, led to volatility in the currency exchange market and resulted in significant downward pressure on the Ukrainian Hryvnia relative to major foreign currencies. While management monitors this exchange exposure, the Group hedges its USD, RUB and EUR currency positions.

The following table presents sensitivities of profit or loss and equity before tax to reasonably possible changes in exchange rates applied at the balance sheet date relative to the functional currency of the respective Group entities, with all other variables held constant:

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

	At 31 December 2013		At 31 December 2012	
In millions of Ukrainian Hryvnia	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
USD strengthening by 25% (2012: 25%)	(4,459)	(4,459)	(2,931)	(2,931)
USD weakening by 25% (2012: 25%)	4,459	4,459	2,931	2,931
Euro strengthening by 25% (2012: 25%)	(2,015)	(2,015)	(1,499)	(1,499)
Euro weakening by 25% (2012: 25%)	2,015	2,015	1,499	1,499

Interest rate risk. As the Group normally has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable interest rates expose the Group to interest rate risk. Borrowings at fixed rate expose the Group to fair value interest rate risk.

At 31 December 2013 and 2012, the majority of the Group's variable interest debt is USD, RUB and EUR denominated. As at 31 December 2013, 70% of the total borrowings was provided to the Group at floating rates (31 December 2012: 69 %).

The Group's exposure to fixed or variable rates is determined at the time of issuing new debt. Management uses its judgment to decide whether fixed or variable rate would be more favourable to the Group over the expected period until maturity. The risk of increase in market interest rates is monitored by the Corporate Finance Department of the Company together with the Treasury Department. The Corporate Finance Department is responsible for planning the financing structure (levels of leverage) and borrowing activities. The key objectives to financing is reduction of borrowing costs, matching currency of borrowings with currency of proceeds from operating activities, and agreeing maturity profile of borrowings with liquidity needs.

The borrowing activities are reviewed on a 12-month budget. Long-term investing activities and associated funding are considered separately.

The maturity dates and effective interest rates of financial instruments are disclosed in Note18. Re-pricing for fixed rate financial instruments occurs at maturity of fixed rate financial instruments. Re-pricing of floating rate financial instruments occurs continually.

At 31 December 2013, if interest rates on USD, EUR and RUB denominated borrowings had been 200 basis points higher with all other variables held constant, post-tax profit for the year would have been UAH 184 million lower (2012: UAH 136 million lower).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months and subsequently until the repayment of borrowings. Gains and losses recognised in the hedging reserve in equity (Note 17) on cross-currency interest rate swap arrangements as of 31 December 2013 are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement.

At 31 December 2013, the fixed interest rates vary from 6.4% to 18% (2012: 7.75% to 19%). As described in Note 18, borrowings of the Group are at different floating rates, but hedged borrowings are at MOSPRIME. Gains and losses recognised in the hedging reserve in equity (Note 17) on cross-currency interest rate swap arrangements as of 31 December 2013 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 18).

Other price risk. The Group has limited exposure to commodity price risk on electricity supply as pricing is determined based on the competitive pool model adopted by the National Electricity Regulatory Committee of Ukraine. The Group produces the majority of the coal needed to power the Group's generators and manages coal production to meet demand, however the Group is exposed to some commodity price risk on coal as the Group exports coal. To manage this risk, the Group enters into sales contracts for coal at fixed prices.

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34 Financial Risk Management (Continued)

The Group is also exposed to equity securities price risk because of the available-for-sale investments held by the Group. The Group limits its exposure to the Ukrainian power generation and distribution sectors, but is fully exposed to equity price risk within this sector.

If the equity quotations of the Group's investments had increased by 10% as at 31 December 2013 and 2012, with all other factors being equal, the Group's equity at 31 December 2013 would have increased by UAH 5 million (31 December 2012: UAH 4 million).

Liquidity risk. Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding to meet existing obligations as they fall due. Management monitors liquidity on a daily basis, management incentive programs use key performance indicators such as EBITDA, free cash flow and cash collections to ensure liquidity targets are actively monitored. Prepayments are commonly used to manage both liquidity and credit risks. The Group has capital construction programs which can be funded through existing business cash flows, however the Group also has significant investment and acquisition targets which will require incremental debt finance. To this end, the Group is in discussions with financial institutions with respect to long-term financing.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows. The maturity analysis of financial liabilities at 31 December 2013 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 18)	2,179	3,503	6,966	8,667	1,313	22,628
Eurobonds (Note 18)	314	312	2,147	7,175	-	9,948
Gross settled derivative financial instruments – outflows	244	1,577	3,674	3,183	-	8,678
Gross settled derivative financial instruments – inflows	(378)	(1,621)	(3,624)	(3,140)	-	(8,763)
Other financial liabilities - external (Note 19)	109	233	566	3,087	61,737	65,732
Trade and other payables (Note 22)	7,636	223	-	-	-	7,859
Total future payments, including future principal and interest payments	**10,104**	**4,227**	**9,729**	**18,972**	**63,050**	**106,082**

The maturity analysis of financial liabilities at 31 December 2012 is as follows:

In millions of Ukrainian Hryvnia	Up to 6 months	6 -12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Liabilities						
Borrowings (Note 18)	2,749	1,910	4,312	10,802	557	20,330
Eurobonds (Note 18)	256	194	385	4,123	-	4,958
Gross settled derivative financial instruments – outflows	214	220	1,760	5,691	-	7,885
Gross settled derivative financial instruments – inflows	(375)	(376)	(2,093)	(5,980)	-	(8,824)
Other financial liabilities - external (Note 19)	131	99	315	1,885	61,957	64,387
Trade and other payables (Note 22)	6,156	118	-	-	-	6,274
Total future payments, including future principal and interest payments	**9,131**	**2,165**	**4,679**	**16,521**	**62,514**	**95,010**

Other financial liability external represents undiscounted future cash flows for deferred consideration payable related to acquisition of Dobropolyeugol, Rovenkiatrantracyte and Sverdlovantracyte, finance lease liability related to acquisition of Bilozerska Mine ALC and other balances.

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35 Management of Capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return on capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as net liabilities divided by total capital under management. Net debt is calculated as total borrowing (current and long-term as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital under management equals equity as shown in the consolidated balance sheet.

The Group has yet to determine its optimum gearing ratio. Presently, the majority of debt is due within 2 - 5 years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy. The Group has obtained a credit rating that matches the Sovereign rating of Ukraine.

	31 December 2013	31 December 2012 (as restated)
Total net debt	21,767	15,302
Total equity	34,718	32,526
Debt to equity ratio	62.70%	47.05%

36 Fair Value of Assets and Liabilities

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Ukraine continues to display some characteristics of an emerging market, and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Trading and available-for-sale investments are carried in the balance sheet at their fair value. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Fair values were determined based on quoted market prices or third party valuations using discounted cash flows techniques.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows, expected to be received, discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. The estimated fair values of the financial liabilities are summarised in the table below. Carrying amounts of trade and other payables approximate fair values.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

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36 Fair Value of Assets and Liabilities (Continued)

a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period:

Financial instruments carried at fair value. Trading and available-for-sale investments and financial derivatives are carried in the statement of financial position at their fair value.

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2013		31 December 2012	
In millions of Ukrainian Hryvnia	**Level 1**	**Level 2**	**Level 1**	**Level 2**
FINANCIAL ASSETS				
Financial investments				
- Securities quoted on Ukrainian stock market (Note 12)	46	-	45	-
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**46**	**-**	**45**	**-**
FINANCIAL LIABILITIES				
Other financial liabilities				
Gross-settled derivative financial instruments (Note 19)	-	801	-	284
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**-**	**801**	**-**	**284**

(b) Non-recurring fair value measurements

The Group uses the revaluation model to measure property, plant and equipment. The frequency of valuation depends on movements in fair values of the assets being revalued. Management performs an annual assessment to ensure that the carrying amount of property, plant and equipment is not materially different from its fair value. In case of substantial differences the Group engages external, independent and qualified valuers to determine the fair value of the Group's property, plant and equipment.

The external valuations of the level 3 property, plant and equipment are performed using depreciated replacement cost approach. The external valuers, in discussion with the Group's internal valuation team, determine the inputs based on comparative prices for similar groups of property, plant and equipment or in case of unique specific assets determine cost of construction of similar assets. Then results are adjusted for size, location, depreciation and other conditions specific for the assets.

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36 Fair Value of Assets and Liabilities (Continued)

(c) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy of assets and liabilities not measured at fair value are as follows:

	31 December 2013			31 December 2012		
In millions of Ukrainian Hryvnia	Level 1	Level 2	Carrying value	Level 1	Level 2	Carrying value
FINANCIAL ASSETS						
Cash and cash equivalents (Note 15)						
- Bank balances payable on demand	-	4,735	4,735	-	4,759	4,759
- Term deposits	-	135	135	-	310	310
- Restricted cash	-	373	373	-	291	291
Trade and other receivables (Note 14)						
- Trade receivables	-	8,738	8,738	-	4,702	4,702
- Other financial receivables	-	226	226	-	132	132
Other non-current assets						
Trade and other receivables - non-current	-	64	64	-	46	50
Financial investments (Note 12)						
- Prepayment for shares	-	280	280	-	160	160
- Deposits placed with the maturity more than three months	-	1,262	1,262	-	102	102
- Restricted cash	-	53	53	-	80	80
- Loans receivable	-	9	9	-	1	1
TOTAL ASSETS	**-**	**15,875**	**15,875**	**-**	**10,583**	**10,587**
FINANCIAL LIABILITIES						
Liability to non-controlling participants	-	11	11	-	5	5
Borrowings (Note 18)	-	19,532	19,532	-	16,715	16,721
Eurobonds (Note 18)	7,358	-	7,478	4,113	-	3,941
Other financial liabilities – non-current (Note 19)	-	6,817	6,702	-	3,816	3,576
Deferred consideration (Note 19)	-	290	290	-	300	300
Trade and other payables (Note 22)	-	7,859	7,859	-	6,274	6,274
TOTAL LIABILITIES	**7,358**	**34,509**	**41,872**	**4,113**	**27,110**	**30,817**

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36 Fair Value of Assets and Liabilities (Continued)

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements:

	Fair value			
In thousands of Ukrainian Hryvnia	**2013**	**2012**	**Valuation technique**	**Inputs used**
ASSETS AT FAIR VALUE				
FINANCIAL ASSETS				
Trading securities				
Cash and cash equivalents (Note 15)				
- Bank balances payable on demand	4,735	4,759	Current cost accounting	
- Term deposits	135	310	Current cost accounting	
- Restricted cash	373	291	Current cost accounting	
Trade and other receivables (Note 14)				
- Trade receivables	8,738	4,702	Current cost accounting	
- Other financial receivables	226	132	Current cost accounting	
Other non-current assets				
Trade and other receivables - non-current	64	46	Discounted cash flows	Cost of term deposits pursuant to reporting statistical data of Ukrainian banks
Financial investments (Note 12)				
- Prepayment for shares	280	160	Current cost accounting	
- Deposits placed with the maturity more than three months	1,262	102	Current cost accounting	
- Restricted cash	53	80	Current cost accounting	
- Loans receivable	9	1	Current cost accounting	
LIABILITIES CARRIED AT FAIR VALUE				
Liability to non-controlling participants	11	5	Current cost accounting	
Borrowings (Note 18)	19,532	16,715	Current cost accounting	Cost of loans pursuant to statistical data reporting of Ukrainian banks
Other financial liabilities – non-current (Note 19)	6,817	3,816	Discounted cash flows	
Gross-settled derivative financial instruments (Note 19)	801	284	Futures pricing models - MTM	
Deferred consideration (Note 19)	290	300	Current cost accounting	
Trade and other payables (Note 22)	7,859	6,274	Current cost accounting	

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2013 (2012: none).

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37 Reconciliation of Classes of Financial Instruments with Measurement Categories

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2013:

In millions of Ukrainian Hryvnia	Cash, financial investments and receivables	Available-for-sale assets	Total
ASSETS			
Cash and cash equivalents (Note 15)			
- Bank balances payable on demand	4,735	-	4,735
- Term deposits	135	-	135
- Restricted cash	373	-	373
Trade and other receivables (Note 14)			
- Trade receivables	8,738	-	8,738
- Other financial receivables	226	-	226
Other non-current assets			
- Trade and other receivables - non-current	64	-	64
Financial investments (Note 12)			
- Equity securities	-	46	46
- Prepayment for shares	280	-	280
- Deposits placed with the maturity more than three months	1,262	-	1,262
- Loans receivable	9	-	9
- Restricted cash	53	-	53
TOTAL FINANCIAL ASSETS	**15,875**	**46**	**15,921**
NON-FINANCIAL ASSETS	-	-	**79,223**
TOTAL ASSETS			**95,144**

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2012:

In millions of Ukrainian Hryvnia	Cash, financial investments and receivables	Available-for-sale assets	Total
ASSETS			
Cash and cash equivalents (Note 15)			
- Bank balances payable on demand	4,759	-	4,759
- Term deposits	310	-	310
- Restricted cash	291	-	291
Trade and other receivables (Note 14)			
- Trade receivables	4,702	-	4,702
- Other financial receivables	132	-	132
Other non-current assets			
- Trade and other receivables - non-current	50	-	50
Financial investments (Note 12)			
- Equity securities	-	45	45
- Prepayment for shares	160	-	160
- Deposits placed with the maturity more than three months	102	-	102
- Loans receivable	1	-	1
- Restricted cash	80	-	80
TOTAL FINANCIAL ASSETS	**10,587**	**45**	**10,632**
NON-FINANCIAL ASSETS	-	-	**66,253**
TOTAL ASSETS			**76,885**

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37 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

The following table provides a reconciliation of classes of financial liabilities with these measurement categories as at 31 December 2013:

In millions of Ukrainian Hryvnia	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
LIABILITIES				
Borrowings and Eurobonds (Note 18)	-	-	27,010	27,010
Restructured financial liabilities (Note 19)	-	-	1,704	1,704
Trade and other payables excluding non-financial liabilities (Note 22)	-	-	7,859	7,859
Derivative financial instruments (Note 19)	-	801	-	801
Other financial liabilities	-	-	5,299	5,299
TOTAL FINANCIAL LIABILITIES	**-**	**801**	**41,872**	**42,673**
NON-FINANCIAL LIABILITIES				**17,753**
TOTAL LIABILITIES				**60,426**

The following table provides a reconciliation of classes of financial liabilities with these measurement categories as at 31 December 2012:

In millions of Ukrainian Hryvnia	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
LIABILITIES				
Borrowings and Eurobonds	-	-	20,662	20,662
Restructured financial liabilities	-	-	1,566	1,566
Trade and other payables excluding non-financial liabilities	-	-	6,274	6,274
Derivative financial instruments	284	-	-	284
Other financial liabilities	-	-	2,315	2,315
TOTAL FINANCIAL LIABILITIES	**284**	**-**	**30,817**	**31,101**
NON-FINANCIAL LIABILITIES				**13,258**
TOTAL LIABILITIES				**44,359**

38 Subsequent events

There were no significant events subsequent to the year end.

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