Dear Shareholders,

Hereby we are presenting our 1Q FY2014 financial results. Although we have seen some encouraging signs from the market in terms of coal sales volumes and prices there are still not sufficient evidence of a sustainable growth trend.

Major financial performance highlights of the 1Q FY2014 are as follows:

- **Mining output.** Production in the 1Q FY2014 was balanced in order to meet market demand and optimize assets utilization, considering Company's liquidity and need to dispose excess inventory. *Thermal coal output for the 1Q FY2014 reached 134.6 thousand tonnes (decreased by 20.4% q-o-q) and coking coal output composed 27.3 thousand tonnes (demonstrated a decrease by 33.6% q-o-q). In the 1Q FY2014 underground mining output decreased by 65.8% comparing to 1Q FY2013.*
- **Coal sales.** In the 1Q FY2014 total coal sales volumes reached 402.1 thousand tonnes (33.9% increase q-o-q). The Company was able to dispose part of coal on stock. *Increased sales volumes resulted mainly from growth of thermal coal sales in the domestic market. In the 1Q FY2014 coal sales decreased by 8.5% comparing to the 1Q FY2013 volumes.*

  Revenue. 1Q FY2014 sales reached US$29.0 million (increased by 32.4% q-o-q) due to both higher domestic sales of thermal coal and slightly higher coking coal prices. Referring to the 1Q FY2013 revenue shrank by 26.4%.

  EBITDA. EBITDA comprised US$1.0 million in the 1Q FY2014 being negatively influenced by the conditionally fixed production overhead expenditures under conditions of declining revenues.

We want to inform our stakeholders that the Company timely fulfills its obligations towards all of its business counterparties. Interest and scheduled repayments to all the banking institutions are made in time and in full scope. The management controls timely rolling-over and/or prolongation of the existing loan facilities.

In July 2013 licenses for two coal reserve deposits were extended for 20 years at Donprombiznes LLC. The Company explores various options for adding reserve base to the existing reserve deposits.

Fire breakout at the mine St. Matrona Moskovskaya in November 2013 was successfully extinguished. Therefore we expect to return at least to the earlier production levels at the mine within the next months. The Board of Directors will inform about the expected production volume plans for the mine upon approving the production program for it accordingly.

Facing the adverse markets the Company continues work on finding opportunities and potential business synergies with the existing business segments in the market. We are streamlining our operations and assets utilization and implemented several initiatives aimed at cost optimization, and organizational restructuring of business, including personnel reduction, as well as minimizing third party services.

Viktor Vyshnevetskyy
Chairman of the Board of Directors and Chief Executive Officer

Therefore operating profit margin amounted to -7.2% in the 1Q FY2014 versus 27.7% in the 1Q FY2013.

Other non-operating expenses/income

Other non-operating expenses comprised US$0.5 million in the reporting period thus declined by 58.3% compared to such expenses in amount of US$1.2 million in the 1Q FY2013.

Net loss/profit

The Company recorded US$5.6 million of net loss in the reporting period compared to a net profit of US$7.5 million in the 1Q FY2013. Net loss for 1Q FY2014 was suppressed by financial costs of US$ 3.3 million in addition to the operating losses.

Production results

Coal Energy total production decreased down to 195.8 thousands tonnes of coal in the 1Q FY2014 or by 64.0% as compared to the 1Q FY2013.

Underground mining. In the 1Q FY2014 mining output decreased down to 161.9 thousand tonnes from 473.2 thousand tonnes in the 1Q FY2013, or by 65.8% y-o-y.
Mining of thermal coal decreased by 66.4% y-o-y to 134.6 thousand tonnes while mining output of coking and dual-purpose coal decreased by 62.5% y-o-y to 27.3 thousand tonnes.

The table below shows mining volumes by each operating entity:

in thousand of tonnes	Coal type	1Q FY14	1Q FY13	change,%
Donbasuglerazrabotka LLC	Thermal	0.5	21.1	(97.6%)
Donprombiznes LLC	Thermal	11.4	83.1	(86.3%)
Eximenergo PEK LLC	Thermal	58.2	100.2	(41.9%)
Ugledobycha LLC	Thermal	45.1	42.7	5.6%
CwAL LE "Sh/U Blagoveshenskoe"	Thermal	19.4	153.3	(87.3%)
Sub-total thermal coal		*134.6*	*400.4*	*(66.4%)*
Nedra Donbasa LLC	Coking	2.1	4.5	(53.3%)
Tekhinovatsiya LLC	Dual-purpose	1.8	12.9	(86.0%)
CwAL LE "Mine St.Matrona Moskovskaya"	Coking	23.4	55.4	(57.8%)
Sub-total coking coal		*27.3*	*72.8*	*(62.5%)*
Total mining		**161.9**	**473.2**	**(65.8%)**
Antratcit LLC	Coal concentrate	33.9	70.5	**(51.9%)**
Total production		**195.8**	**543.7**	**(64.0%)**

Coal waste dumps processing. In the 1Q FY2014 production of coal from waste dumps processing reached 33.9 thousand tones or decreased by 51.9% y-o-y.

Beneficiation. Beneficiation of own coal mined and bought from third parties reached 20.7 thousand tonnes in the 1Q FY2014, decreased by 69.5% y-o-y compared to the 1Q FY2013. In the 1Q FY2014 beneficiation services to third parties were provided in amount of 0.7 thousand tonnes.

Risks and uncertainties

The Group's financial performance is dependent on the global price of and demand for coal

The Group's business is dependent on the global market price of coal. Sale prices and volumes in the worldwide coal market depend predominantly on the prevailing and expected levels of demand for and supply of coal, mainly from energy and steel manufacturers. Though the Ukrainian coal market is a bit isolated, still global financial and economic crises may influence the Ukrainian coal prices. To mitigate such risk, the Group endeavours to diversify its customer base both on local and export markets and aims to sign long-term framework contracts for coal supply.
While prices are beyond control of the Group we constantly strive to lower and maintain low cost of production with the same level of operations quality.

The Group is subject to particular demands from customers, which vary from customer to customer from product to product and from time to time

As the customer may require coal with higher efficiency characteristics the increased demand for higher grade coal may reduce demand and contract prices for coal with lower energy efficiency.

The Group's production costs and costs of technologies applied by the Group may increase

The Group's main production expenses are energy costs, salaries and consumables. Changes in costs of the Group's mining and processing operations could occur as a result of unforeseen events and consequently result in changes in profitability or the feasibility and cost expectations in mining and processing existing reserves. Many of these changes may be beyond the Group's control.
Cost of mining operations per tonne as conditionally fixed (energy, water drainage, ventilation system, etc.) can not be reduced proportionally with the reduction of coal sales as the case may be. These costs need to be maintained in order to secure the Company's ability to increase production after the market revival. If sales are not expected to regain back their volume and price for some particular coal grades from a particular asset the Company may take decision to postpone mining operations on that asset and incur repairing and supportive works. Returning to the previous production levels may require additional capital investments. Having long history of relations with the customers we aim to secure demand for all of our coal grades.

The Group's activity may be impacted by the local currency devaluation

In order to continue investment program at the levels to reach the expected targets the Group would need external financing. Currently the market proposes only foreign currency loans at acceptable interest rates. Foreign currency liabilities are currently not supported by sufficient export proceeds in foreign currency. Most of the sales are at present conducted in the local currency. Therefore local currency devaluation may inflate the amount of liabilities on the balance sheet. The Group will follow careful borrowing policy by striving for long-term financing in order to smoothen negative effects of any currency devaluation process.
Depending on the scale of the devaluation and time lag for its absorption by the market the Group may have positive effect on the expense side. Major expenditures of the Group, like wages and salaries, raw materials, maintenance expenditures and CAPEX are linked to the local currency and these are not expected to be adjusted simultaneously and in full scope.

1q2014FY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013

Coal Energy S.A.

1q2014FY

Contents

Statement of Management responsibility

To the best of our knowledge, consolidated financial statements as of 30 September 2013 of Coal Energy S.A. which have been prepared in accordance with the international financial reporting standards, give a true and fair view of the assets, liabilities, financial position and result of its operations for the three months ended 30 September 2013 as required under article 4(3) of the Law. The interim management report includes a fair review of the information required under article 4(4) of the Law.

While preparing these consolidated financial statements, the Management bears responsibility for the following issues:

- selection of the appropriate accounting policies and their consistent application;
- making judgments and estimates that are reasonable and prudent;
- adherence to IFRS concepts or disclosure of all material departures from IFRS in the consolidated financial statements;
- preparation of the consolidated financial statements on the going concern basis.

Management confirms that it has complied with the above mentioned principles in preparing the consolidated financial statements of the Group.
The Management is also responsible for:
- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group;
- taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of management

Directors A:

____
Chairman of the Board of Directors
Viktor Vyshnevetskyy

____
Chief Operating Officer
Roman Kovalkov

____
Business Development Director
Oleksandr Reznyk

____
Independent Non-executive Director
Arthur David Johnson

Directors B:

____
Independent Non-executive Director
Jacob Mudde

____
Independent Non-executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 25 November 2013

Coal Energy S.A.

Management report for the three months ended 30 September 2013

Management of the Company hereby presents its consolidated financial statements for the three months ended on 30 September 2013.

1. Results and developments during the three months ended on 30 September 2013.

For the three months ended on 30 September 2013 the Group recorded an EBITDA profit of USD 1,049 thousand (USD 13,469 thousand – EBITDA for the three months ended 30 September 2012). After depreciation, amortization, finance costs and finance income the final loss for the three months ended 30 September 2013 after taxation was USD 5,592 thousand (USD 7,519 thousand – profit for the three months ended 30 September 2012).

2. Future developments of the Group.

The Group expects progressive implementation of plan for expansion by the introduction of new technology and mechanical aids.

3. Activity in the field of research and development.

The Group is not involved in any activity in the field of research and development.

4. Own shares.

During the period ended 30 September 2013, the Company and its affiliates have not repurchased of shares of Coal Energy S.A.

5. Group's internal control.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;
- provide reasonable assurance that transactions are recorded, as necessary, to permit preparation of financial statements in accordance with IFRS;
- provide reasonable assurance that receipts and expenditures of the Group are made in accordance with authorizations of Group's management and directors; and
- provide reasonable assurance that unauthorized acquisition, use or disposition of Group's assets that could have a material effect on the financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

6. Risk Management.

The Group has implemented policies and procedures to manage and monitor financial market risks. Financial market activities are overseen by the CFO and the Group Management Board.

The Group does not use hedging derivatives.

For Coal Energy S.A.:

Directors A:

____

Chairman of the Board of Directors
Viktor Vyshnevetskyy

____

Chief Operating Officer
Roman Kovalkov

____

Business Development Director
Oleksandr Reznyk

____

Independent Non-Executive Director
Arthur David Johnson

Directors B:

____

Independent Non-Executive Director
Jacob Mudde

____

Independent Non-Executive Director
Gwenaëlle Bernadette Andrèe Dominique Cousin

Luxembourg, 25 November 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013

(in thousands USD, unless otherwise stated)	Note	3 months ended 30 September 2013 (unaudited)	Year ended 30 June 2013 (audited)	3 months ended 30 September 2012 (unaudited)
Revenue	5	29,016	125,969	39,449
Cost of Sales	6	(24,363)	(100,654)	(24,460)
GROSS PROFIT/(LOSS)		**4,653**	**25,315**	**14,989**
General and administrative expenses	7	(1,342)	(7,169)	(1,693)
Selling and distribution expenses	8	(1,192)	(7,317)	(2,376)
Other operational income/(expenses)	9	17	(87)	28
Idle capacity expenses	9.1	(4,195)	(1,087)	-
OPERATING PROFIT/(LOSS)		**(2,059)**	**9,655**	**10,948**
Other non-operating (expenses)/income	10	(485)	(6,600)	(1,150)
Financial income	12	758	3,151	1,253
Financial costs	13	(3,259)	(18,643)	(2,035)
(LOSS)/PROFIT BEFORE TAX		**(5,045)**	**(12,437)**	**9,016**
Income tax expenses	14	(547)	(4,462)	(1,497)
(LOSS)/PROFIT FOR THE PERIOD		(5,592)	(16,899)	7,519
OTHER COMPREHENSIVE INCOME/(LOSS):				
Effect of foreign currency translation		-	(11)	(11)
Actuarial gain/(loss)		-	133	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		**-**	**122**	**(11)**
TOTAL COMPREHENSIVE (LOSS)/INCOME:		(5,592)	(16,777)	7,508
PROFIT/LOSS FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent		(5,550)	(16,724)	7,449
Non-controlling interests		(42)	(175)	70
		(5,592)	(16,899)	7,519
COMPREHENSIVE INCOME/LOSS ATTRIBUTABLE TO:				
Equity holders of the parent		(5,550)	(16,600)	7,439
Non-controlling interests		(42)	(177)	69
		(5,592)	(16,777)	7,508
Weighted average number of ordinary shares outstanding		45,011,120	45,011,120	45,011,120
BASIC EARNINGS PER ORDINARY SHARE *(expressed in USD cents)*		(12,33)	(37,15)	16,55

Basic earnings per ordinary share are equal to diluted earnings per ordinary share.

Notes on pages 9 to 31 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

(in thousands USD, unless otherwise stated)

	Note	As at 30 September 2013 (unaudited)	As at 30 June 2013 (audited)	As at 30 September 2012 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	15	143,121	139,604	103,743
Intangible assets	16	7,707	7,914	8,512
Financial assets	17	4,390	4,203	3,912
Deferred tax assets	14	885	1,132	1,595
Deposit	23	20,000	20,000	-
		176,103	**172,853**	**117,762**
Current assets				
Inventories	18	13,578	17,614	15,117
Trade and other receivables	19	42,514	33,277	42,619
Prepayments and prepaid expenses	20	4,630	2,814	1,685
Financial assets	17	11,173	11,259	24,042
Other taxes receivables	22	2,158	3,318	1,177
Cash and cash equivalents	23	3,392	3,278	3,165
		77,445	**71,560**	**87,805**
TOTAL ASSETS		**253,548**	**244,413**	**205,567**
EQUITY AND LIABILITIES				
Equity				
Share capital	24	450	450	450
Share premium		77,578	77,578	77,578
Retained earnings		27,456	33,006	59,030
Effect of foreign currency translation		(6,624)	(6,624)	(6,624)
Equity attributable to equity holders of the parent		**98,860**	**104,410**	**130,434**
Non-controlling interest		205	247	511
TOTAL EQUITY		**99,065**	**104,657**	**130,945**
Non-current liabilities				
Loans and borrowings	25	59,500	59,500	4,536
Finance lease liabilities	26	6,541	6,541	6,542
Defined benefit obligation		20,968	20,835	15,911
Trade and other payables	28	141	226	423
Other tax payable	22	180	194	228
Provisions	27	6,412	6,295	8,555
Deferred tax liabilities	14	3,228	3,036	2,934
		96,970	**96,627**	**39,129**
Current liabilities				
Loans and borrowings	25	46,055	30,018	16,006
Finance lease liabilities	26	1,280	1,280	1,280
Trade and other payables	28	6,638	7,363	14,296
Income tax payables	14	1,172	1,152	269
Other tax payables	22	2,368	3,316	3,642
		57,513	**43,129**	**35,493**
TOTAL LIABILITIES		**154,483**	**139,756**	**74,622**
TOTAL EQUITY AND LIABILITIES		**253,548**	**244,413**	**205,567**

Notes on pages 9 to 31 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation	Total	NCI	Total equity
As at 30 June 2012 (restated)	**450**	**77,578**	**49,595**	**(6,613)**	**121,010**	**424**	**121,434**
Profit for the period	-	-	(16,724)	-	**(16,724)**	(175)	**(16,899)**
Other comprehensive income	-	-	135	(11)	**124**	(2)	**122**
As at 30 June 2013	**450**	**77,578**	**33,006**	**(6,624)**	**104,410**	**247**	**104,657**
Profit for the period	-	-	(5,550)	-	(5,550)	(42)	(5,592)
Other comprehensive income	-	-	-	-	-	-	-
As at 30 September 2013	**450**	**77,578**	**27,456**	**(6,624)**	**98,860**	**205**	**99,065**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012
(in thousands USD, unless otherwise stated)

	Equity attributable to equity holders of the parent						
	Share capital	Share premium	Retained earnings	Effect of foreign currency translation	Total	NCI	Total equity
As at 30 June 2011	**338**	**-**	**14,642**	**(6,558)**	**8,422**	**(1,076)**	**7,346**
Profit for the period	-	-	35,940	-	**35,940**	2,495	**38,435**
Other comprehensive income	-	-	-	(56)	**(56)**	-	**(56)**
Total comprehensive income	**-**	**-**	**35,940**	**(56)**	**35,884**	**2,495**	**38,379**
Increase in share capital	112	80,541	-	-	**80,653**	-	**80,653**
Expenses related to IPO	-	(2,963)	-	-	**(2,963)**	-	**(2,963)**
Changes in share in subsidiaries	-	-	999	-	**999**	(977)	**22**
As at 30 June 2012	**450**	**77,578**	**51,581**	**(6,614)**	**122,995**	**442**	**123,437**
Profit for the period	-	-	7,449	-	**7,449**	70	**7,519**
Other comprehensive income	-	-	-	(10)	**(10)**	(1)	**(11)**
As at 30 September 2012	**450**	**77,578**	**59,030**	**(6,624)**	**130,434**	**511**	**130,945**

Notes on pages 9 to 31 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2013

(in thousands USD, unless otherwise stated)	3 months ended 30 September 2013 (unaudited)	Year ended 30 June 2013 (audited)	3 months ended 30 September 2012 (unaudited)
OPERATING ACTIVITIES			
(Loss)/Profit before tax	**(5,045)**	**(12,437)**	**9,016**
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization expenses	3,126	11,490	2,527
Finance income	(758)	(3,151)	(1,017)
Finance costs	3,259	18,643	1,799
Expenses for doubtful debts /(Recovery of doubtful debts)	-	115	5
(Income)/Loss from sale of property, plant and equipment	(48)	221	(54)
Expenses attributable to allowance for receivables on sale of property, plant and equipment	(8)	2,197	607
Writing-off of non-current assets	135	599	155
(Profit)/loss from exchange differences	-	(3)	-
Income from writing-off of account payables	-	(12)	-
Movements in defined benefits plan obligations	132	2,712	9
Shortages and losses from impairment of inventory	109	300	-
Income from current assets received free of charge	(42)	(501)	(144)
	860	**20,173**	**12,903**
Working capital adjustments:			
Change in trade and other receivables	(9,237)	(935)	(9,955)
Change in advances made and deferred expenses	(1,816)	(2,050)	(921)
Change in inventories	3,969	(8,422)	(5,982)
Change in trade and other payables	(833)	(1,963)	4,411
Change in other tax balances	198	(2,333)	212
	(6,859)	**4,470**	**668**
Income tax paid	(88)	(1,686)	(526)
Net cash flow from operating activity	**(6,947)**	**2,784**	**142**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	(6,553)	(63,232)	(16,931)
Proceeds from sale of property, plant and equipment and intangible assets	14	390	123
Proceeds from financial assets	138	2,202	123
Increase in deposit	-	(20,000)	-
Interest received	563	1,312	-
Net cash flow from investing activity	**(5,838)**	**(79,328)**	**(16,685)**
FINANCIAL ACTIVITIES			
Proceeds from loans and borrowings	17,347	108,652	14,628
Repayment of loans and borrowings	(1,301)	(23,900)	-
Repayment of interest free financial liabilities and notes issued	-	(56)	-
Interest paid	(3,147)	(10,103)	(152)
Net cash flow from financial activity	**12,899**	**74,593**	**14,476**
NET CASH FLOWS	**114**	**(1,951)**	**(2,067)**
Cash and cash equivalents at the beginning of the period	**3,278**	**5,226**	**5,226**
Effect of translation to presentation currency	-	3	6
Cash and cash equivalents at the end of the period	**3,392**	**3,278**	**3,165**

Notes on pages 9 to 31 are an integral part of these consolidated financial statements

Notes to consolidated financial statements for the three months ended 30 September 2013

1 General information

For the purposes of theses consolidated financial statements, Coal Energy S.A. ("Parent company") and its subsidiaries have been presented as the Group as follows:

Parent company and its subsidiaries	Country of incorporation	Group shareholding, % as at	
		30 September 2013	30 September 2012
Coal Energy S.A.	Luxembourg	100,00	100,00
Nertera Investments Limited	Cyprus	100,00	100,00
Coal Energy Trading Limited	British Virgin Islands	100,00	100,00
Donbasuglerazrabotka LLC	Ukraine	99,00	99,00
Donugletekhinvest LLC	Ukraine	99,00	99,00
Nedra Donbasa LLC	Ukraine	99,00	99,00
Donprombiznes LLC	Ukraine	99,00	99,00
Ugledobycha LLC	Ukraine	99,99	99,99
Donantracit LLC	Ukraine	99,99	99,99
Tekhinovatsiya LLC	Ukraine	99,99	99,99
Eximenergo LLC	Ukraine	99,00	99,00
Antratcit LLC	Ukraine	99,00	99,00
CwAL LE "Sh/U Blagoveshenskoe"	Ukraine	99,00	99,00
CwAL LE "Mine St.Matrona Moskovskaya"	Ukraine	99,00	99,00
Coal Energy Ukraine LLC	Ukraine	99,99	99,99
Progress-Vugillya LLC	Ukraine	99,99	-
Sh/U Blagoveshenskoe Management Company LLC	Ukraine	99,99	-

The parent company, Coal Energy S.A., was incorporated in Luxembourg as a joint stock company on 17 June 2010. The registered office is located at 46A, avenue J.F. Kennedy, L-1855 Luxembourg and the Company number with the Registre de Commerce is B 154144.

Principal activities of the Group are coal mining, coal beneficiation, waste dumps processing and sales of marketable coal. Major production facilities are located in Donetsk region of Ukraine.

These consolidated financial statements were authorized by the Board of Directors as at 25 November 2013.

2 Basis of preparation of the interim consolidated financial statements

2.1 Basis of preparation

The preparation of financial statements in accordance to International Financial Accounting Standards (IFRS) as adopted by European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying of the Group`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.
These consolidated financial statements are presented in thousands of USD, unless otherwise stated.

2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

2.3 Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 Basis of preparation of the interim consolidated financial statements (continued)

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income. Costs, appeared in connection with the purchase of subsidiaries are recognized as expenses.
Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Subsequent to the loss of control of a subsidiary the value of remained share is revalued at fair value that influences the amount of income/loss from the disposal.
Before June 30, 2010 the Parent company did not have direct or indirect ownership interest in consolidated entities included in the consolidated financial statements. The pooling of interest method was applied for business combinations under common control for the earlier periods.

Financial statements of Parent company and its Subsidiaries, which are used while preparing the consolidated financial statements, should be prepared as at the same date on the basis of consistent application of accounting policy for all companies of the Group.
(b) Transactions with non-controlling interests
The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. The result of disposals to non-controlling interests being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary are reflected in statements of changes in equity. Losses are attributed to the non-controlling interests even if that results in a deficit balance.
Non-controlling interests are derecognized when purchased, a subsidiary sold or liquidated and profit or loss on de-recognition is recorded in the consolidated statements of changes in equity.

2.4 Changes in accounting policy and disclosures
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.
The group has not applied the following standards and IFRIC interpretations and also amendments to them that have been issued but are not yet effective:
IFRS 9 Financial Instruments: Classification and Measurement - phase 1 of the accounting standard that will eventually replace IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2015);
IFRS 10 Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (revised), Consolidated and Separate Financial Statements, and IAS 28 (revised), Investments in Associates and Joint Ventures. Application of these standards is mandatory for annual periods beginning on or after January 1, 2014;
IFRS 12 Disclosure of Interest in Other Entities that applies to an entity that has interest in subsidiaries, joint arrangements, associates and/or structured entities (effective from 1 January 2014);
IFRS 13 Fair Value Measurement describes how to measure fair value where fair value required or permitted by IFRS (effective from 1 January 2014);
The Group anticipates that the adoption of these standards and amendments in future periods will have no material impact on its financial statements.
The Group currently does not plan early application of the above standards and interpretations.

3 Summary of significant accounting policies

The accounting policies, significant accounting judgments, estimates and assumptions adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group`s annual financial statements for the year ended 30 June 2013.

3.1 Currency translation

(a) Functional and presentation currency

All 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 entities operate (the "functional currency"). The national currency of Ukraine, Ukrainian Hryvnia ("UAH") is the functional currency for the Group's entities that operate in Ukraine. For the entities that operate in Cyprus, Luxembourg and British Virgin Islands (BVI) the functional currency is US dollar ("USD"). These consolidated financial statements are presented in thousands of US dollars, unless otherwise stated.

(b) Foreign currency transactions

Exchange rates used in the preparation of these in interim consolidated financial statements were as follows:

Currency	30 September 2013	Average for three months ended 30 September 2013	30 September 2012	Average for three months ended 30 September 2012	30 June 2013
UAH/USD	7.9930	7.9930	7.9930	7.9930	7.9930

(c) Translation into presentation currency:

- all assets and liabilities, both monetary and non-monetary, are converted at closing exchange rates at the dates of each statements of financial position presented;
- income and expense items are converted at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case exchange rates at the date of transactions are used;
- all equity items are converted at the historical exchange rates;
- all resulting exchange differences are recognized as a separate component in other comprehensive income;
- in the consolidated statements of cash flows, cash balances and beginning and end of each period presented are converted at exchange rates at the respective dates. All cash flows are converted at the average exchange rates for the periods presented. Resulting exchange differences are presented as effect of conversion to presentation currency.

3.2 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the revenue can be reliably measured and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sales of goods

The Group principal activities are stated in Note 1. Revenue from sales of goods is recognized when all criteria are satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer.

(b) Rendering of services

Revenue from rendering services is recognized on the basis of the stage of work completion under each contract. When financial result can be measured reliably, revenue is recognized only to the extent of the amount of incurred charges, which can be recovered.

(c) Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

(d) Emission rights

Due to high level of uncertainty income from sale of Emission Reduction Units recognized in other operating income on cash basis and do not recognized as intangible asset.

3.3 Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognized as an expense or income in profit and loss in the consolidated statements of comprehensive income, except when it relates to items recognized directly in other comprehensive income, or where they arise from the initial accounting for a business combination.

(a) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to estimate the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3 Summary of significant accounting policies (continued)

(b) Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognized for all taxable temporary differences, except:
- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.
Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.4 Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Major renewals and improvements are capitalized and the assets replaced are retired. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in item 'Other non-operating income (expenses)' in the statement of comprehensive income.
Depreciation is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as follows:

-	Underground mining	40 - 80 years
-	Buildings and constructions	35 - 50 years
-	Machinery, equipment and vehicles	5 - 10 years
-	Other	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.
Mine development costs are capitalized and classified as capital construction-in-progress. Mine development costs are transferred to mining assets when a new mine reaches commercial production quantities. In addition capital construction-in-progress comprises costs directly related to construction of buildings, infrastructure, machinery and equipment. Cost also includes finance charges capitalized during construction period where such costs are financed by borrowings. Depreciation of these assets commences when the assets are put into operation.

3.5 Leases
(a) Group as a lessee
Leases of property, plant and equipment in which substantially all the risks and rewards incidental to ownership are transferred to the Group are classified as finance leases. The assets leased are capitalized in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit and loss in the consolidated statements of comprehensive income. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
Operating lease payments are recognized as an expense in the income statements on a straight line basis over the lease term.
(b) Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

3 Summary of significant accounting policies (continued)

3.6 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the period in which the expenditure is incurred. Research costs are recognized as an expense as incurred. Costs incurred on development (relating to the design, construction and testing of new or improved devices, products, processes or systems) are recognized as intangible assets only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of adequate resources to complete the development, and the ability to measure reliably the expenditure during the development. Other development expenditures are recognized as an expense as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is charged on a straight-line basis over the following economic useful lives of these assets:

- Licences, special permissions and patent rights 5 - 20 years
- Other intangible assets 5 - 10 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash generating unit level.

3.8 Impairment of non-current assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less cost to sell and value-in-use.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive income.

Where an impairment loss subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognized in prior periods. A reversal of an impairment loss is recognized in the consolidated statements of the comprehensive income.

3.9 Financial assets

(1) Initial recognition and measurement

The Group classifies its financial assets as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables. All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(2) Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables include trade and other receivables. Loans are financial assets arising as a result of provision of funds to borrower.

(c) Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

3 Summary of significant accounting policies (continued)

(d) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Available-for-sale financial assets are accounted at fair value through equity.

Subsequent to initial recognition all financial assets at fair value through profit or loss and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

Loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Receivables are accounted at net realizable value, less the allowance for doubtful debts. The amount of allowance for doubtful debts is accounted by using the method of total amount of doubtful debts.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in finance costs and removed from the available-for-sale reserve.

(3) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, loans issued where the carrying amount is reduced through the use of an allowance for impairment. When a trade or other or loans issued receivables is considered uncollectible, it is written off against the allowance. On basis of the facts confirming that receivables or loans issued, previously recognized as doubtful, at the reporting date are not doubtful, the amount of previously charged reserve is reflected in income of the reporting period. Except for available-for-sale assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss reverses directly through profit and loss account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

When a decline in fair value of an available-for-sale investment has been recognized directly in other comprehensive income and there is objective evidence that investment is impaired, the cumulative loss that had been recognized directly in other comprehensive income is removed from other comprehensive income and recognized in profit or loss in the consolidated statements of comprehensive income even though the investment has not been derecognized. Impairment losses previously recognized through profit or loss in the consolidated statements of comprehensive income are not reversed. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

(4) Derecognition of financial assets

The Group derecognizes financial assets when:

- the assets are redeemed or the rights to cash flows from the assets have otherwise expired;
- or the Group has transferred substantially all the risks and rewards of ownership of the assets;
- or the Group has neither transferred not 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.

3.10 Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is assigned by using the FIFO cost formula.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods includes costs of raw materials, direct labour and other direct productions costs and related production overheads (based on normal operating capacity).

The Group periodically analyses inventories to determine whether they are damaged, obsolete or slow-moving or if their net realizable value has declined, and makes an allowance for such inventories. If such situation occurred, the sum remissive the cost of inventories should be reflected in statements of comprehensive income.

At the date of financial statements preparation the Group estimates the balances of finished products to determine whether there is any evidence of impairment. Amount of impairment is measured on the basis of the analysis of prices in the market of such inventories, existed at the reporting date and issued in official sources.

3 Summary of significant accounting policies (continued)

3.11 Value added tax (VAT)

VAT output 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. VAT input is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. Rights to VAT input arise on the earlier of the date of payment to the supplier or the date goods are received. Revenue, expenses and assets are recognized less VAT amount, except cases, when VAT arising on purchases of assets or services, is not recoverable by tax authority; in this case VAT is recognized as part of purchase costs or part of item of expenses respectively. Net amount of VAT, recoverable by tax authority or paid, is included into accounts receivable and payable, reflected in consolidated statements of financial position.

3.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash and short term deposits as defined above, net of outstanding bank overdrafts.

3.13 Share capital

Ordinary shares are classified as equity. Nominal value of share capital of Parent company is specified in Note 24.

3.14. Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

3.15 Financial liabilities

(1) Initial recognition and measurement

The Group classifies its contractual obligations as financial liabilities at fair value through profit or loss, loans and borrowings. The Group classifies its financial liabilities at initial recognition. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.

(2) Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated at initial recognition as liabilities at fair value through profit or loss.

(b) Loans and borrowings

Loans and borrowings are financial liabilities which the Group has after borrowings attraction. Loans and borrowings are classified as current liabilities except when the Group has unconditional right to delay settlement of obligation at least for 12 months from reporting date.

(3) Derecognition

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

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

3.16 Defined benefits plan obligations

The Group contributes to the Ukrainian state pension scheme, social insurance and employment funds in respect of its employees. The Group's pension scheme contributions are expensed as incurred. The contributions are included in expenses for wages and salaries. Companies comprising the Group provide additional post-employment benefits to those employees who are engaged in the industry with particularly detrimental and oppressive conditions of work. Under the Ukrainian legislation employees engaged in hazardous industry may retire earlier than usual terms stipulated by Employee Retirement Income Security Law. The Group reimburses to the State Pension Fund all pension payments which are to be paid to the employees until usual statutory date of retirement. In addition, according to the legislation, the Group makes payments related to providing the employees with domestic fuel (coal). The Group recognizes the liabilities in amount of this payment.

The liability recognized in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Actuarial gains and losses are recognized in the other comprehensive income statements in the period in which they occur.

3.17 Provisions

Provisions are recognized when the Group has legal or constructive obligations as the result of past event for which it is probable that an outflow of economic benefits can be required to settle the obligations, and the amount of the obligations can be reliably estimated. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Use of discounting results in recognition of financial expenses and increase in provision.

Management created provision for the payment of potential tax liabilities related to settlement of financial assets and liabilities. Though if the controlling authorities classify such transactions as a subject of taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

3 Summary of significant accounting policies (continued)

3.18 Environmental obligations

Environmental obligations include decommissioning and land restoration costs. The Group evaluates the provisions associated with ecological problems separately on every occasion taking into account the requirements of the relevant legislative acts.

Future decommissioning costs, discounted to net present value, are capitalized and the corresponding decommissioning obligations are raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the asset.

The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the comprehensive income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for land restoration, representing the cost of restoring land damage after the commencement of commercial production, is estimated at net present value of the expenditures expected to settle the obligation. Change in provision and unwinding of discount on land restoration are recognized in the consolidated statements of comprehensive income. Ongoing rehabilitation costs are expensed when incurred.

3.19 Financial guarantee contracts

Management on annual basis assesses probability of risks that can be arising in relation of financial guarantee contracts through financial analysis of counterparties. If the risk is significant – financial guarantee contracts must be recognized as liabilities in notes to consolidated financial statements in accordance with IAS 37. Otherwise – if risk is insignificant – financial guarantee contracts liabilities must be disclosed as off-balance sheet liabilities.

4 Significant accounting judgments, estimates

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

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognized in these consolidated financial statements:

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recognized in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the recognized fair value of financial instruments.

(b) Remaining useful life of property, plant and equipment

Management assesses the remaining useful life of property, plant and equipment in accordance with the current technical conditions of assets and estimated period when these assets bring economic benefit to the Group.

(c) Impairment of non-current assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the growth rate used for extrapolation purposes (coal price, sales volume) and to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(d) Defined benefits plan obligations

For the purpose of estimation of defined benefit obligation, the projected unit credit method was used, which includes the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of high-quality government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases and pension increases are based on expected future inflation rates.

(e) Environmental obligations

The Group's mining and processing activities are susceptible to various environmental laws and regulations changes. The Group estimates environmental obligations based on management's understanding of the current legal requirements, terms of the license agreements and internally generated estimates. Provision is made, based on net present values, for decommissioning and land restoration costs as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(f) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position and results of operations may be negatively affected.

4 Significant accounting judgments, estimates (continued)

g) Idle capacity expenses

Due to volatility of the coal market production capacity of the Group's individual Companies in some periods could be operated not according to its normal capacity of the production facilities. In the case of significant deviation of the actual capacity from the normal capacity, part of the fixed production overheads is reflected in item "Idle capacity expenses".

Management of the Group uses estimations and judgments to determine the following items: normal capacity of the individual companies, the period of the partial exploitation of the production capacity, amount of overheads that should be allocated.

5 Information on operational segments

The group defines the following business segments that include goods and services distinguished by the level of risk and terms of acquisition of income:

- mineral resource and processing industry — includes income from sale of own coal products and income from coal beneficiation;
- trade activity - includes income from sale of merchandises;
- other activity - includes income from rendering of other works and services.

Management controls the results of operating segments separately for the purpose of decision making about allocation of resources and performance measurement. The results of segments are estimated on profit/(loss) before tax.

Information about the segments of business for the **three months ended 30 September 2013:**

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	22,367	6,529	120	-	**29,016**
	22,367	**6,529**	**120**	**-**	**29,016**
(Loss)/profit before tax of the segment	**(5,335)**	**243**	**47**	**-**	**(5,045)**
Depreciation and amortization expenses	(3,126)	-	-	-	**(3,126)**
Defined benefits plan obligations expenses	(132)	-	-	-	**(132)**
Impairment of inventories	(109)	-	-	-	**(109)**
Operational assets	**228,168**	**2,908**	**474**	**21,998**	**253,548**
Operational liabilities	**(144,654)**	**(209)**	**(199)**	**(9,421)**	**(154,483)**
Disclosure of other information					
Capital expenditure	6,771	-	-	-	**6,771**

As at 30 September 2013 assets of segments do not include financial assets (USD 15,563 thousand), cash (USD 3,392 thousand), other taxes receivable (USD 2,158 thousand), as well as deferred tax assets (USD 885 thousand), since management of these assets is carried out at the Group's level.

As at 30 September 2013 liabilities of segments do not include deferred tax liabilities (USD 3,228 thousand), other taxes payable (USD 2,548 thousand), income tax payables (USD 1,172 thousand), provision on tax liabilities (USD 2,473 thousand), since management of these liabilities is carried out at the Group's level.

Information about the segments of business for the **three months ended 30 September 2012:**

	Business segments				
	Mineral resource and processing industry	**Trade activity**	**Other activity**	**Assets and liabilities not included in segments**	**Total**
Revenue					
Sales to external customers	35,968	3,291	190	-	**39,449**
	35,968	**3,291**	**190**	-	**39,449**
Profit before tax of the segment	**8,585**	**326**	**105**	**-**	**9,016**
Depreciation and amortization expenses	(2,527)	-	-	-	**(2,527)**
Defined benefits plan obligations expenses	(9)	-	-	-	**(9)**
Operational assets	**169,164**	**2,293**	**219**	**33,891**	**205,567**
Operational liabilities	**(60,268)**	**(2,427)**	**(117)**	**(11,810)**	**(74,622)**
Disclosure of other information					
Capital expenditure	**16,261**	**-**	-	-	**16,261**

5 Information on operational segments (continued)

As at 30 September 2012 assets of segments do not include financial assets (USD 27,954 thousand), cash (USD 3,165 thousand), other taxes receivable (USD 1,177 thousand), as well as deferred tax assets (USD 1,595 thousand), since management of these assets is carried out at the Group's level.

As at 30 September 2012 liabilities of segments do not include deferred tax liabilities (USD 2,934 thousand), other taxes payable (USD 3,870 thousand), income tax payables (USD 269 thousand), provision on tax liabilities (USD 4,737 thousand), since management of these liabilities is carried out at the Group's level.

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Revenue received from sale of finished goods	22,367	110,372	35,968
Revenue from trading activity	6,529	14,950	3,291
Revenue from other activity	120	647	190
	29,016	**125,969**	**39,449**

Geographic information

Revenue from external customers	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Ukraine	28,290	114,598	36,852
Countries other than Ukraine and CIS	660	11,105	2,597
Countries of the CIS	66	266	-
	29,016	**125,969**	**39,449**

Specific of the Group's activity implies that the Clients, revenue from which is more than 10% of Group`s Revenue (three main clients as at 30 September 2012) composed USD 24,650 thousand as at 30 September 2013 and presented in table below:

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Client 1	2,641	39,704	11,603
Client 2	15,286	30,949	12,798
Client 3	6,723	21,784	5,991
	24,650	**92,437**	**30,392**

All non-current assets of the Group are located in Ukraine.

6 Cost of sales

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Change in finished goods	(6,136)	9,428	5,671
Cost of merchandising inventory	(6,286)	(14,513)	(2,965)
Wages and salaries of operating personnel	(4,097)	(36,443)	(10,150)
Raw materials	(3,974)	(27,447)	(9,322)
Energy supply	(1,528)	(12,713)	(3,219)
Depreciation and amortization expenses	(1,388)	(10,757)	(2,452)
Subcontractors services	(714)	(5,582)	(1,404)
Other expenses	(240)	(2,627)	(619)
	(24,363)	**(100,654)**	**(24,460)**

7 General and administrative expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Wages and salaries of administrative personnel	(929)	(4,855)	(1,210)
Subcontractors services	(269)	(1,500)	(286)
Bank services	(55)	(514)	(127)
Depreciation and amortization expenses	(27)	(137)	(35)
Other expenses	(62)	(163)	(35)
	(1,342)	**(7,169)**	**(1,693)**

8 Selling and distribution expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Delivery costs	(837)	(6,101)	(2,061)
Subcontractors services	(171)	(396)	(106)
Wages and salaries of distribution personnel	(120)	(590)	(157)
Depreciation and amortization expenses	(38)	(147)	(34)
Other expenses	(26)	(83)	(18)
	(1,192)	**(7,317)**	**(2,376)**

9 Other operating income/expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Writing-off of VAT	(32)	(400)	(101)
Income from Emission Reduction Units sale	-	228	-
Profit from exchange differences	-	3	-
(Expenses)/Reversal of doubtful debts expenses	-	(115)	-
Other operating expenses	-	(14)	(5)
Other operating income	49	211	134
	(17)	**(87)**	**28**

9.1 Idle capacity expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Depreciation and amortization expenses	(1,655)	(373)	-
Wages and salaries of operating personnel	(1,037)	(223)	-
Energy supply	(645)	(368)	-
Raw materials	(603)	(67)	-
Subcontractors services	(127)	-	-
Other expenses	(128)	(56)	-
	(4,195)	**(1,087)**	**-**

10 Other non-operating income/expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Wages and salaries of non-operating personnel	(183)	(725)	(212)
Other non-operating expenses	(164)	(471)	(69)
Writing-off of non-current assets	(135)	(599)	(354)
Social sphere expenses	(79)	(465)	(87)
Depreciation of non-operating property, plant and equipment	(18)	(76)	(6)
Recognized penalties, fines, charges	(8)	(170)	(21)
Cash write-off	-	(2,344)	-
Income/(Expenses) attributable to allowance for receivables on sale of property, plant and equipment	8	(2,197)	(607)
Other non-operating income	46	668	152
Income/(Loss) from sale of property, plant and equipment	48	(221)	54
	(485)	**(6,600)**	**(1,150)**

11 Depreciation and amortization expenses

Depreciation	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Cost of sales	(1,348)	(9,834)	(2,222)
Depreciation of property, plant and equipment which are temporarily not used and underproduction	(1,655)	(373)	-
Selling and distribution expenses	(38)	(147)	(34)
General and administrative expenses	(27)	(137)	(35)
Depreciation of non-operating property, plant and equipment	(18)	(76)	(6)
	(3,086)	**(10,567)**	**(2,297)**
Amortization			
Cost of sales	(40)	(923)	(230)
	(40)	**(923)**	**(230)**
	(3,126)	**(11,490)**	**(2,527)**

12 Financial income

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Interest income	563	1,312	-
Gain from non-operational exchange differences	8	1,112	236
Income from measurement of financial assets at amortized cost	187	727	1,017
	758	**3,151**	**1,253**

13 Financial costs

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Interest expenses	(2,769)	(7,998)	(494)
Finance lease expenses	(378)	(1,459)	(380)
Unwinding of discount expenses	(117)	(752)	(220)
Expenses from measurement of financial liabilities at amortized cost	(47)	(268)	(104)
Expenses from measurement of financial assets at amortized cost	-	-	(847)
Effect of provision reversal and changes in estimates	-	2,792	-
Impairment (loss)/recovery of loans issued	52	(10,958)	10
	(3,259)	**(18,643)**	**(2,035)**

14 Income tax expenses

	3 months ended 30 September 2013	Year ended 30 June 2013	3 months ended 30 September 2012
Current income tax (rate 21%)	-	(1,371)	(319)
Current income tax (rate 19%)	(108)	(995)	-
Deferred tax	(439)	(2,096)	(1,178)
Income tax expenses	**(547)**	**(4,462)**	**(1,497)**
At the beginning of the period	**(1,152)**	**(472)**	**(472)**
Current income tax charge (rate 21%)	-	(1,371)	(319)
Current income tax charge (rate 19%)	(108)	(995)	-
Amount paid in the period	88	1,686	526
Effect of translation to presentation currency	-	-	(4)
At the end of the period	**(1,172)**	**(1,152)**	**(269)**
Effect			
Profit before tax (rate 21%)	-	15,148	9,016
Loss before tax (rate 19%)	(5,045)	(27,585)	-
Income tax (rate 21%)	-	(3,181)	(1,893)
Income tax (rate 19%)	959	5,241	-
Effect of different statutory tax rates of overseas jurisdictions	249	211	-
Effect of change in income tax rate	-	129	553
Tax effect of permanent differences	(1,755)	(6,862)	(157)
Income tax expenses	**(547)**	**(4,462)**	**(1,497)**

The Ukrainian Parliament adopted a new Tax Code, which became effective on 1 January 2011. According to the new Tax Code, a tax rate of 23% is applied starting from 1 April 2011, 21% – from 1 January 2012, 19% – from 1 January 2013 and 16% – from 1 January 2014. When estimating deferred taxes as at 30 September 2013, the Group accounted for the decrease in the income tax rate and other implications of the new Tax Code.

Recognized tax assets and liabilities

	30 June 2013	Recognized in profit (loss)	Effect of translation to presentation currency	30 September 2013
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	169	(4)	-	165
Inventories	1,065	(832)	-	233
Provisions	627	4	-	631
Defined benefit plan obligations	3,334	21	-	3,355
Charged vacation expenses	497	(117)	-	380
Folded on individual Companies' level	(4,560)			(3,879)
Total deferred tax assets	**1,132**	**(928)**	**-**	**885**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(7,411)	554	-	(6,857)
Financial instruments	(185)	(65)	-	(250)
Folded on individual Companies' level	4,560			3,879
Total deferred tax liabilities	**(3,036)**	**489**	**-**	**(3,228)**
Net deferred tax asset/(liability)	**(1,904)**	**(439)**	**-**	**(2,343)**

Deferred tax assets and liabilities are measured at the income tax rates, which are expected to be applied in the periods when an asset is realized or liability is calculated in accordance with the tax rates provided by the Tax Code.

14 Income tax expenses (continued)

	30 June 2012	Recognized in profit (loss)	Effect of translation to presentation currency	30 September 2012
Effect of temporary differences on deferred tax assets				
Property, plant and equipment, intangible assets	337	(133)	1	205
Inventories	562	437	1	1,000
Provisions	607	3	1	611
Defined benefit plan obligations	2,546	1	(2)	2,545
Charged vacation expenses	621	58	-	679
Folded on individual Companies' level	(2,579)			(3,445)
Total deferred tax assets	**2,094**	**366**	**1**	**1,595**
Effect of temporary differences on deferred tax liabilities				
Property, plant and equipment, intangible assets	(4,470)	(1,551)	(1)	(6,022)
Financial instruments	(364)	7	-	(357)
Folded on individual Companies' level	2,579			3,445
Total deferred tax liabilities	**(2,255)**	**(1,544)**	**(1)**	**(2,934)**
Net deferred tax asset/(liability)	**(161)**	**(1,178)**	**-**	**(1,339)**

15 Property, plant and equipment

Cost	Underground mining	Buildings and constructions	Machinery, equipment and vehicles	Other	Construction in progress	Total
as at 30 June 2012	**61,647**	**16,892**	**30,189**	**1,858**	**4,154**	**114,740**
Additions	9,962	2,255	2,768	193	1,069	**16,247**
Transfer	46	-	450	-	**(496)**	**-**
Disposals	(77)	(128)	(988)	(54)	**-**	**(1,247)**
Effect of translation to presentation currency	79	(15)	(75)	(8)	(1)	**(20)**
as at 30 September 2012	**71,657**	**19,004**	**32,344**	**1,989**	**4,726**	**129,720**
as at 30 June 2013	**108,731**	**24,995**	**34,926**	**2,100**	**1,081**	**171,833**
Additions	5,497	645	585	13	-	**6,740**
Disposals	(32)	(4)	(521)	(65)	-	**(622)**
Effect of translation to presentation currency	-	-	-	1	-	**1**
as at 30 September 2013	**114,196**	**25,636**	**34,990**	**2,049**	**1,081**	**177,952**
Accumulated depreciation						
as at 30 June 2012	**(6,158)**	**(4,535)**	**(12,363)**	**(1,146)**	**-**	**(24,202)**
Depreciation for the period	(595)	(173)	(1,313)	(216)	**-**	**(2,297)**
Disposals	1	30	445	39	**-**	**515**
Effect of translation to presentation currency	(1)	1	-	7	**-**	**7**
as at 30 September 2012	**(6,753)**	**(4,677)**	**(13,231)**	**(1,316)**	**-**	**(25,977)**
as at 30 June 2013	**(9,373)**	**(5,551)**	**(15,737)**	**(1,568)**	**-**	**(32,229)**
Depreciation for the period	(1,147)	(319)	(1,352)	(72)	-	**(2,890)**
Disposals	3	2	232	51	-	**288**
Effect of translation to presentation currency	-	-	-	-	-	**-**
as at 30 September 2013	**(10,517)**	**(5,868)**	**(16,857)**	**(1,589)**	**-**	**(34,831)**
Net book value						
as at 30 September 2012	**64,904**	**14,327**	**19,113**	**673**	**4,726**	**103,743**
as at 30 September 2013	**103,679**	**19,768**	**18,133**	**460**	**1,081**	**143,121**

As at 30 September 2013 loans and borrowings of the Group were pledged by the property, plant and equipment with carrying amount of USD 22,930 thousand (30 September 2012 – USD 15,846 thousand): Note 25 "Loans and borrowings".

During the three months ended 30 September 2013 any borrowing costs were capitalized as property, plant and equipment.

During the three months ended 30 September 2013 any research and development costs were capitalized as property, plant and equipment. The Group's mining activity in current financial year relates to exploitation of the existing mines and mined beds.

As at the date of presentation of the financial statements the Group contractual commitments are immaterial.

16 Intangible assets

Cost	**Licenses, special permissions and patent rights**	**Other intangible assets**	**Other projects and permissions**	**Total**
as at 30 June 2012	**10,332**	**53**	**133**	**10,518**
Additions	-	5	9	**14**
Disposals	-	(1)	(10)	**(11)**
Effect of translation to presentation currency	3	(1)	1	**3**
as at 30 September 2012	**10,335**	**56**	**133**	**10,524**
as at 30 June 2013	**10,372**	**56**	**185**	**10,613**
Additions	12	-	19	**31**
Disposals	-	-	(2)	**(2)**
Effect of translation to presentation currency	-	-	-	**-**
as at 30 September 2013	**10,384**	**56**	**202**	**10,642**
Accumulated depreciation				
as at 30 June 2012	**(1,721)**	**(10)**	**(60)**	**(1,791)**
Amortization charge for the period	(223)	(2)	(5)	**(230)**
Disposal	-	1	7	**8**
Effect of translation to presentation currency	1	-	-	**1**
as at 30 September 2012	**(1,943)**	**(11)**	**(58)**	**(2,012)**
as at 30 June 2013	**(2,610)**	**(17)**	**(72)**	**(2,699)**
Amortization charge for the period	(224)	(3)	(9)	**(236)**
Disposals	-	-	-	**-**
Effect of translation to presentation currency	-	-	-	**-**
as at 30 September 2013	**(2,834)**	**(20)**	**(81)**	**(2,935)**
Net book value				
as at 30 September 2012	**8,392**	**45**	**75**	**8,512**
as at 30 September 2013	**7,550**	**36**	**121**	**7,707**

As at 30 September 2013 licenses and special permissions include special permissions for subsurface use stated below:
-special permissions for subsurface use # 5098 as of 30 December 2009 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission equals to USD 793 thousand (Tekhinovatsiya LLC);
-special permissions for subsurface use # 4782 as of 18 November 2008 issued by Ministry of ecology and natural resources of Ukraine for 13 years. Net book value of this permission equals to USD 3,112 thousand (CwAL LE “Sh/U Blagoveshenskoe”);
-special permissions for subsurface use # 4820 as of 16 December 2008 issued by Ministry of ecology and natural resources of Ukraine for 12 years. Net book value of this permission equals to USD 2,963 thousand (CwAL LE “Sh/U Blagoveshenskoe”).
- special permissions for subsurface use # 5438 as of 27 December 2011 issued by Ministry of ecology and natural resources of Ukraine for 20 years. Net book value of this permission equals to USD 611 thousand (Nedra Donbasa LLC).

As at 30 September 2013 there are no pledged intangible assets.
As at 30 September 2013 there are no contractual commitments as for intangible assets of the Group.

17 Financial assets

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Non-current financial assets			
Held-to-maturity investments	4,390	4,203	3,753
Loans issued	-	-	159
	4,390	**4,203**	**3,912**
Current financial assets			
Loans issued	22,319	22,432	24,042
Allowance for loans issued	(11,146)	(11,173)	-
	11,173	**11,259**	**24,042**

Held-to maturity investments are non-interest notes, issued generally by third parties. These notes are discounted using effective annual interest rate 18% for the three months ended 30 September 2013, 2012 and accompanied expenses (incomes) are presented in items 'Finance costs' and 'Finance income'. Management of the Group has the intention to hold these notes to maturity. Held-to maturity investments are not overdue. Loans issued are non-interest loans, generally issued to related parties.
Given the fact that repayment of the financial assets by the Group`s counterparties was postponed by 31 December 2013 and overall uncertainties in the industry, the Company decided to keep conservative approach regarding the financial assets accounting and introduces 50% special allowance on that account in the reporting period.

18 Inventories

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Finished goods	9,142	15,278	11,521
Merchandise	2,088	30	706
Raw materials	1,273	1,347	1,815
Spare parts	1,010	942	1,035
Other inventories	65	17	40
	13,578	**17,614**	**15,117**

As at 30 September 2013 bank loans were secured by finished goods, carrying amount of which is USD 5,500 thousand (as at 30 September 2012 finished goods were pledged as collateral on amount USD 5,852 thousand).

During the three months ended 30 September 2013 USD 109 thousand was recognized as an expenses for inventories carried at net realizable value. This is recognized in cost of sales.

As at 30 September 2013 carrying amount of any inventories carried at fair value less costs to sell composed USD 6,883 thousand.

19 Trade and other receivables

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Trade receivables	33,283	33,202	40,789
Allowances for trade receivables	(293)	(293)	(178)
Receivables under factoring contracts	8,689	-	-
Receivables on sale of property, plant and equipment	2,208	2,206	2,462
Allowances for receivables on sale of property, plant and equipment	(2,189)	(2,197)	(607)
Interest receivable	186	186	-
Other receivables	636	179	162
Allowances for other receivables	(6)	(6)	(9)
	42,514	**33,277**	**42,619**

As at 30 September 2013 bank loans were secured by trade receivables, carrying amount of which if USD 24,177 thousand (as at 30 September 2012 – USD 3,645 thousand).

20 Prepayments and prepaid expenses

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Advances paid	4,568	2,711	1,618
Deferred expenses	62	103	67
	4,630	**2,814**	**1,685**

21 Changes in allowance made

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Balance as at the beginning of the period	**(13,669)**	**(191)**	**(191)**
(Accrual)/Reverse	-	(13,491)	(607)
Use of allowances	36	13	4
Effect of translation to presentation currency	(1)	-	-
Balance as at the end of the period	**(13,634)**	**(13,669)**	**(794)**

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Allowance for loans issued	(11,146)	(11,173)	-
Allowances for receivables on sale of property, plant and equipment	(2,189)	(2,197)	(607)
Allowances for trade accounts receivable	(293)	(293)	(178)
Allowances for other accounts receivable	(6)	(6)	(9)
	(13,634)	**(13,669)**	**(794)**

22 Other taxes

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Current taxes receivable			
VAT recoverable	2,155	3,318	1,174
Prepayments for wages and salaries related taxes	3	-	3
	2,158	**3,318**	**1,177**
Current taxes payable			
VAT payable	(1,024)	(1,470)	(1,620)
Payable for wages and salaries related taxes	(1,022)	(1,462)	(1,597)
Payables for other taxes	(322)	(384)	(425)
	(2,368)	**(3,316)**	**(3,642)**
Non-current taxes payable			
Payables for other taxes	(149)	(158)	(179)
Payable for VAT	(31)	(36)	(49)
	(180)	**(194)**	**(228)**

As at 30 September 2013 CwAL LE "Mine St.Matrona Moskovskaya" has non-current tax liabilities to Department of the Treasury of Dzerzhinsk city. Total nominal liabilities amounting to USD 365 thousand consist of:
Tax liabilities for dividends: non-current portion presented at amortized cost amounting to USD 20 thousand, date of maturity August 2016.
Tax liabilities for VAT: non-current portion presented at amortized cost amounting to USD 31 thousand, date of maturity November 2016.
Tax liabilities for income tax: non-current portion presented at amortized cost amounting to USD 129 thousand, date of maturity December 2016.
Current portion of non-current tax liabilities amounting to USD 92 thousand includes in current payables for other taxes. Discount rate used by the Group is 18%.

23 Non-current deposit, cash and cash equivalents

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Non-current deposit			
Deposit	20,000	20,000	-
	20,000	**20,000**	-
Cash and cash equivalents			
Cash on deposit	-	380	-
Cash in bank	3,392	2,898	3,165
	3,392	**3,278**	**3,165**

As at 30 September 2013 loans and borrowings of the Group were pledged by cash on deposit with carrying amount of USD 20,000 thousand: Note 25 "Loans and borrowings". The deposit on amount USD 20,000 thousand is placed in Ukrainian Business Bank with interest rate 11%. Deposit currency is USD. Credit rating of Ukrainian Business Bank is BBB+, positive forecast (according to rating decision dated 31 May 2013 of Ukrainian Credit Rating Agency). The term of the deposit is up to 18 September 2017.

24 Share capital

	As at 30 September 2013		As at 30 June 2013		As at 30 September 2012	
	%	Amount	%	Amount	%	Amount
Lycaste Holding Limited *	75	338	75	338	75	338
Free float	25	112	25	112	25	112
	100	**450**	**100**	**450**	**100**	**450**

* - according to pledge agreement signed as at 11 February 2013 between Lycaste Holding Limited, European Bank For Reconstruction and Development and Coal Energy S.A. 6,747,167 shares owned by Lycaste Holding Limited are pledged.

During the three months ended 30 September 2013 quantity of shares did not change.

25 Loans and borrowings

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Non-current loans and borrowings			
Loans received	(39,500)	(39,500)	-
Borrowings received	(20,000)	(20,000)	(4,500)
Notes issued	-	-	(36)
	(59,500)	**(59,500)**	**(4,536)**
Deducting current portion of long-term borrowings:			
Current portion of long-term borrowings	-	-	-
Total non-current loans and borrowings	**(59,500)**	**(59,500)**	**(4,536)**
Current loans and borrowings			
Bank loans	(37,366)	(30,018)	(16,006)
Payables under factoring contracts	(8,689)	-	-
Total current loans and borrowings	**(46,055)**	**(30,018)**	**(16,006)**

The amount of non-current loans and borrowings as at 30 September 2013 comprises the followings borrowings:
— loan amounting to USD 4,500 thousand received by Antratcit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the the property of Donprombiznes LLC, pledging value of which amounts to USD 1,470 thousand. Maturity date is on 15 August 2017.

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Loricom Holding Group LTD with credit limit USD 20,000 thousand. Annual interest rate equals to 11,0%. Obligations under this credit agreement are guaranteed by: the corpoate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 7,299 thousand; the corpoate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 11,037 thousand. Maturity date is on 15 September 2017.

— loan amounting to USD 35,000 thousand received by Coal Energy S.A. in USD according to the credit agreement concluded with European Bank for Reconstruction and Development with credit limit USD 70,000 thousand. Annual interest rate equals to 6m Libor plus 5,85% margin per annum. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 3,124 thousand and by 14,99% of total shares in Coal Energy S.A. (6`747`167 shares), also obligations under this credit agreement are guaranteed by 99% of share capital of Antratcit LLC and Progress-Vugillya LLC. Maturity date is on 20 June 2020.

The amount of current loans and borrowings as at 30 September 2013 comprises the followings borrowings:
— loan amounting to USD 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date is on 06 June 2014.

— loan amounting to USD 5,355 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,880 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the sales contracts amounting to USD 6,252 thousand. Maturity date is on 31 January 2014.

— loan amounting to USD 20,000 thousand received by CwAL LE "Sh/U Blagoveshenskoe" in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 20,000 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by: the pledge of the deposit in Ukrainian Business Bank on amount USD 20,000 thousand. Maturity date is on 16 September 2014.

— loan amounting to USD 3,753 thousand received by Donvuhletekhinvest LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit USD 3,753 thousand. Annual interest rate equals to 22,0%. Obligations under this credit agreement are guaranteed by the property of Ugledobyvayushie Technology LLC pledging value of which amounts to USD 6,140 thousand and by the guarantee of Ugledobyvayushie Technology LLC amounting to USD 3,753 thousand. Maturity date is on 28 May 2014.

— loan amounting to USD 2,758 thousand received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "FUIB" with credit limit equaling to USD 5,000 thousand. Annual interest rate equals to 19,75% Obligations under this credit agreement are guaranteed by: the revenue under the contracts amounting to USD 7,507 thousand, by the guarantee of CwAL LE "Mine St. Matrona Moskovskaya" and Donprombiznes LLC amounting to USD 5,000 thousand. Maturity date is on 19 December 2013.

25 Loans and borrowings (continued)

— factoring amounting to USD 3,727 thousand received by Donantracit LLC in UAH according to factoring contract concluded with OJSC "OTP Bank" with credit limit equaling to USD 4,904 thousand. Annual interest rate equals to 16-18%. Obligations under this factoring contract are guaranteed by the revenue under the contracts amounting to USD 4,904 thousand, guarantee of CwAL LE "Sh/U Blagoveshenskoe" and Coal Energy S.A. amounting to USD 4,904 thousand. Maturity date is on 25 December 2013.

— factoring amounting to USD 4,962 thousand received by Donantracit LLC in UAH according to factoring contract concluded with OJSC "FUIB" with credit limit equaling to USD 12,511 thousand. Annual interest rate equals to 14,5%. Obligations under this factoring contract are guaranteed by the revenue under the contracts amounting to USD 5,514 thousand. Maturity date is on 01 February 2015.

The amount of non-current loans and borrowings as at 30 September 2012 comprises the followings borrowings:
— loan amounting to USD 4,500 thousand received by Antratcit LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 4,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the property of Donprombiznes LLC, pledging value of which amounts to USD 1,973 thousand. Maturity date is on 15 August 2017.

The amount of current loans and borrowings as at 30 September 2012 comprises the followings borrowings:
— loan amounting to USD 1,877 thousand received by Donbasuglerazrabotka LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equal USD 1,877 thousand. Annual interest rate 20,0%. Obligations under this credit agreement are guaranteed by the property of Antratcit LLC, pledging value of which amounts to USD 834 thousand; by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,877 thousand. Maturity date is on 17 December 2012.

— loan amounting to USD 1,751 thousand was received by Donantracit LLC in UAH according to the credit agreement concluded with OJSC "Creditprombank" with credit limit equaling to USD 1,751 thousand. Annual interest rate 19,5%. Obligations under this credit agreement are guaranteed by the property of Agro-industrial firm "Aval" LLC pledged value of which amounts to USD 1,843 thousand; by the finished goods (coal) pledged value of which amounts to USD 352 thousand, by the guarantee of individuals Vyshnevetskyy V.V. and Vyshnevetska M.P. amounting to USD 1,751 thousand, by the guarantee of CwAL LE Sh/U Chapaeva amounting to USD 1,751 thousand. Maturity date is 25 October 2012.

— loan amounting to USD 5,500 thousand received by Eximenergo LLC in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,500 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by the finished goods (coal) in turnover pledged value of which amounts to USD 5,500 thousand. Maturity date is on 07 June 2013.

— loan amounting to USD 2,878 thousand received by Coal Energy Ukraine LLC in UAH according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 5,880 thousand. Annual interest rate equals to 21,0%. Obligations under this credit agreement are guaranteed by the revenue under the contracts amounting to USD 3,645 thousand. Maturity date is on 31 January 2013.

— loan amounting to USD 4,000 thousand received by CwAL LE Sh/U Chapaeva in USD according to the credit agreement concluded with Ukrainian Business Bank with credit limit USD 20,000 thousand. Annual interest rate equals to 13,0%. Obligations under this credit agreement are guaranteed by: the corporate rights in share capital of Tekhinovatsiya LLC and property pledged value of which amounts to USD 6,935 thousand; the corporate rights in share capital of Donprombiznes LLC and property pledged value of which amounts to USD 6,104 thousand. Maturity date is on 17 September 2013.

Essential terms:

	Currency	Nominal interest rate, %	30 September 2013	30 June 2013	30 September 2012
Non-current loan	USD	6-month LIBOR + 5.85%	(35,000)	(35,000)	-
Non-current borrowing	USD	11,00	(20,000)	(20,000)	-
Non-current loan	USD	13,00	(4,500)	(4,500)	(4,500)
			(59,500)	**(59,500)**	**(4,500)**

Terms of non-current loans and borrowings (undiscounted flows)

	30 September 2013	30 June 2013	30 September 2012
within 1 year	-	-	-
from 1 to 5 years	(45,500)	(45,500)	(4,556)
more than 5 years	(14,000)	(14,000)	-
	(59,500)	**(59,500)**	**(4,556)**

Terms of current loans and borrowings

	30 September 2013	30 June 2013	30 September 2012
On demand	(294)	**-**	**-**
Within 3 months	(11,153)	(20,000)	(1,877)
From 3 to 12 months	(34,608)	(10,018)	(14,129)
	(46,055)	**(30,018)**	**(16,006)**

26 Finance lease liabilities

	At 30 September 2013		At 30 June 2013		At 30 September 2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Due within 1 year	1,408	1,280	1,408	1,280	1,408	1,280
From 1 to 5 years	5,633	3,341	5,633	3,341	5,633	3,342
More than 5 years	56,006	3,200	56,359	3,200	57,415	3,200
	63,047	**7,821**	**63,400**	**7,821**	**64,456**	**7,822**
Future finance charges	(55,226)	-	(55,579)	-	(56,634)	-
Present value of lease obligation	**7,821**	**7,821**	**7,821**	**7,821**	**7,822**	**7,822**
Current portion of financial lease liabilities		**(1,280)**		**(1,280)**		**(1,280)**
Non-current financial lease liabilities		**(6,541)**		**(6,541)**		**(6,542)**

In 2009 CwAL LE Sh/U Chapaeva (current entity name - CwAL LE "Sh/U Blagoveshenskoe") negotiated the contract of lease of state property-integral property complex GC Shakhtoupravlinnia named after V.I. Chapaeva.
In 2010 CwAL LE Novodzerzhynskaya Mine (current entity name - CwAL LE "Mine St.Matrona Moskovskaya") negotiated the contract of lease of state property-integral property complex – integral property complex GC Novodzerzhynskaya Mine.
According to these contracts, the lessee receives state property for the period of 49 years (current entity name CwAL LE "Sh/U Blagoveshenskoe" - until 11 February 2058, CwAL LE "Mine St.Matrona Moskovskaya" - until 27 April 2059) on fee basis. Such property comprises premises, facilities, mine workings, production equipment, transport, assets under construction and special permissions for subsurface use. Also, as term of agreements, the lessee becomes legal success or of rights and liabilities of GC Shakhtoupravlinnia named after V. I. Chapaeva and GC Novodzerzhynskaya Mine. Additionally, the lessee undertakes current and capital maintenance of property, insurance and dismantling of mines in case of mine stock depletion. Under the agreement of lessor, lessee has a right to give property in to sublease and to transfer own rights and liabilities under this agreement to third parties.
There are fixed payments on this contract, but each consequent lease payment is determined by correction of previous month lease payment on current month inflation rate.
Amendments, addendums or cancellation of this contract are possible under agreement of both parties.

Net book value of leased assets:

	At 30 September 2013	At 30 June 2013	At 30 September 2012
Property, plant and equipment	53,132	52,485	30,419
Intangible assets	6,075	6,276	6,876
	59,207	**58,761**	**37,295**

27 Provisions

Non-current provisions	At 30 September 2013	At 30 June 2013	At 30 September 2012
Provision for land restoration	(3,246)	(3,258)	(3,230)
Provision on tax liabilities	(2,473)	(2,372)	(4,737)
Dismantling provision	(693)	(665)	(588)
	(6,412)	**(6,295)**	**(8,555)**

The Group liabilities, connected with environmental restoration, notably decommission of property, plant and equipment and land restoration under waste dumps. Estimation of liability bases on estimated prices of decommissions of property, plant and equipment and land restoration under waste dumps procedures. Discount rate used by the Group is 18%.
Management recognized provision for the payment of potential tax liabilities. However, if the tax authorities classify such transactions as subject to taxation and apply such classification to the companies of the Group, actual taxes and penalties may differ from the Management assessment.

Expected timing of economic benefits outflows for provision on tax liabilities are in the period from February 2015 to April 2017
Expected timing of economic benefits outflows for provision for land restoration and dismantling are postponed for long period.

Changes in non-current provisions

	Provision for land restoration	Dismantling provision	Provision on tax liabilities	Total provisions
As at 1 July 2013	**(3,258)**	**(665)**	**(2,372)**	**(6,295)**
Unwinding of discount	12	(28)	(101)	**(117)**
As at 30 September 2013	**(3,246)**	**(693)**	**(2,473)**	**(6,412)**

28 Trade and other payables

Current trade and other payables:

	As at 30 September 2013	**As at 30 June 2013**	**As at 30 September 2012**
Payables for unused vacations	(2,001)	(2,625)	(3,233)
Interest due	(1,291)	(613)	(195)
Payables for wages and salaries	(1,232)	(1,804)	(2,184)
Trade payables	(1,083)	(1,206)	(6,478)
Other payables	(734)	(1,019)	(1,461)
Advances received	(231)	(5)	(455)
Payables for acquisition property, plant and equipment	(66)	(91)	(290)
	(6,638)	**(7,363)**	**(14,296)**

Non-current trade and other payables:

	As at 30 September 2013	**As at 30 June 2013**	**As at 30 September 2012**
Other payables	(141)	(226)	(423)
	(141)	**(226)**	**(423)**

As at 30 September 2013 CwAL LE “Mine St.Matrona Moskovskaya” has non-current liabilities to SE "Regionalnye Elektricheskie Seti" amounting to USD 449 thousand (nominal value). Current portion of non-current liability amounting to USD 245 thousand includes in current other payables. Date of maturity is May 2015. Management of the Group states that there were no other non-current payables. Discount rate used by the Group is 18%.

29 Related party transactions

According to existing criteria of determination of related parties, the related parties of the Group are divided into the following categories:

- Entities - related parties under common control with the Companies of the Group;
- Entities - related parties, which have joint key management personnel with the Companies of the Group.

Ultimate controlling party is Mr. Vyshnevetskyy V.

The sales of finished goods, merchandises and rendering of the services to related parties are made at terms equivalent to those that prevail in arm's length transactions on market price basis. Provision of loans and operations with notes are made at terms different from the independent parties transactions.

Transactions between related parties attributable to the second category are occasional and not significant, thus, they are not disclosed in these consolidated financial statements.

Details of transactions between entities - related parties under common control with the Companies of the Group are disclosed below:

Items of consolidated statements of comprehensive income

	As at 30 September 2013	**As at 30 June 2013**	**As at 30 September 2012**
Income from sales of finished products, goods	411	1,622	521
Income from rendering of services	58	230	108
Impairment reversal/(Impairment loss) of loans issued	25	(10,884)	-
Income from sale of property, plant and equipment	8	78	55
Income from operating lease	2	145	4
Expenses attributable to allowance for receivables on sale of property, plant and equipment	-	(1,503)	(379)
Operating lease expenses	(83)	(347)	(82)
Purchases of services	(198)	(1,581)	(516)
Purchases of property, plant and equipment	(332)	(5,431)	(1,399)
Purchases of inventories	(1,042)	(13,413)	(4,466)

29 Related party transactions (continued)

Items of consolidated statements of financial position

	As at 30 September 2013	As at 30 June 2013	As at 30 September 2012
Current loans issued	22,168	22,281	23,769
Allowances for loans issued	(11,071)	(11,098)	-
Held-to-maturity investments	3,964	3,795	3,392
Trade receivables	3,427	2,887	1,711
Allowances for trade receivables	(108)	(108)	-
Advances paid	415	709	8
Other receivables	419	-	-
Prepayments for property, plant and equipment	-	-	393
Non-current loans issued	-	-	98
Receivables on sale of property, plant and equipment	1,522	1,513	1,151
Allowances for receivables on sale of property, plant and equipment	(1,503)	(1,503)	-
Other payables	(32)	(56)	(183)
Payables for acquisition property, plant and equipment	(56)	(70)	(240)
Trade payables	(185)	(253)	(1,448)

30 Contingent assets and liabilities

As at the date of presentation of the financial statements the Group is not involved in any legal processes that can have material impact on its financial position.

31 Off-balance sheet liabilities

Companies of the Group were engaged in indemnity contracts and guarantee contracts to secure liabilities of third parties.

As at 30 September 2013 contracts of guarantee assuring liabilities LLC "Ugletechnic" amount to USD 10,009 thousands. Maturity date is 15 August 2014.

32 Subsequent events

As at 12 November 2013 a new company C.E.C. Coal Energy Cyprus Limited within Group was incorporated. The main purpose of incorporation of C.E.C. Coal Energy Cyprus Limited was trading activity.

Management of the Group states that after the closing date there were no events, for which these consolidated financial statements would require adjustments.