Баян Сулу

Bayan Sulu JSC

IFRS
Financial statements and independent auditor's report

31 December 2012

CONTENT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of JSC Bayan Sulu

We have audited the accompanying financial statements of JSC Bayan Sulu which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PricewaterhouseCoopers LLP
34 Al-Farabi Ave., Building A , 4th floor, 050059 Almaty, Kazakhstan
T: +7 (727) 298 0448, Ф: +7 (727) 298 0252, www.pwc.com/kz

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bayan Sulu JSC as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

24 May 2013
Almaty, Kazakhstan

Approved by:

Dana Inkarbekova

Managing Director of PricewaterhouseCoopers LLP (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Zhanbota T. Bekenov

Audit Partner (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000047 dated 28 February 1994)

Bayan Sulu JSC
Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	8	7,209,840	6,989,597
Investment property	9	432,789	460,352
Intangible assets	10	1,195,743	1,195,995
Finance lease receivables	11	248,284	400,575
Other non-current assets	12	30,301	30
Total non-current assets		**9,116,957**	**9,046,549**
Current assets			
Inventories	13	4,131,480	2,853,745
Trade and other receivables	14	1,582,533	1,119,140
Finance lease receivables	11	312,295	231,029
Term deposits with original maturity of more than three months	16	678,330	667,800
Cash and cash equivalents	15	786,770	3,062,694
Total current assets		**7,491,408**	**7,934,408**
TOTAL ASSETS		**16,608,365**	**16,980,957**
EQUITY			
Share capital	17	9,625,985	9,625,985
Retained earnings		3,310,984	2,675,090
TOTAL EQUITY		**12,936,969**	**12,301,075**
LIABILITIES			
Non-current liabilities			
Borrowings	18	757,773	1,041,622
Deferred income tax liability	29	776,730	641,709
Employee benefits obligation	19	81,058	84,206
Total non-current liabilities		**1,615,561**	**1,767,537**
Current liabilities			
Borrowings	18	1,323,815	1,748,377
Trade and other payables	20	639,719	1,066,140
Other taxes payable	21	92,301	97,828
Total current liabilities		**2,055,835**	**2,912,345**
TOTAL LIABILITIES		**3,671,396**	**4,679,882**
TOTAL LIABILITIES AND EQUITY		**16,608,365**	**16,980,957**

Approved for issue and signed on the behalf of the Company's management on 24 May 2013

Treiber Vitaliy Andreyevich
Chairman of the Board of Directors - President

Bashkatova Yuliya Anatoliyevna
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2012	2011
Revenue	22	14,440,428	15,240,557
Cost of sales	23	(13,083,464)	(13,654,393)
Gross profit		**1,356,964**	**1,586,164**
Other operating income	26	589,060	319,364
Distribution costs	24	(604,604)	(593,555)
General and administrative expenses	25	(625,860)	(453,715)
Other operating expenses	26	(73,089)	(44,178)
Operating profit		**642,471**	**814,080**
Finance income	27	168,523	136,672
Finance costs	28	(38,678)	(82,847)
Profit before income tax		**772,316**	**867,905**
Income tax expense	29	(136,422)	(269,026)
PROFIT FOR THE YEAR		**635,894**	**598,879**
Other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**635,894**	**598,879**
Total comprehensive income attributable to the owners of the Company		635,894	598,879
Basic earnings per ordinary share (in Kazakhstani Tenge)	**30**	**14.24**	**13.41**

In thousands of Kazakhstani Tenge	Note	Share capital	Retained earnings	Total equity
Balance at 1 January 2011	**17**	**9,625,985**	**2,076,211**	**11,702,196**
Profit for the year		-	598,879	598,879
Total comprehensive income for 2011		-	598,879	598,879
Balance at 31 December 2011	**17**	**9,625,985**	**2,675,090**	**12,301,075**
Profit for the year		-	635,894	635,894
Total comprehensive income for 2012		-	635,894	635,894
Balance at 31 December 2012	**17**	**9,625,985**	**3,310,984**	**12,936,969**

In thousands of Kazakhstani Tenge	Note	2012	2011
Cash flows from operating activities			
Cash inflows from operating activities:			
Cash proceeds from sales		14,565,203	17,462,168
Cash proceeds from reimbursement of borrowing expenses*		48,677	173,030
Interest on deposits		46,240	69,780
Cash outflows from operating activities:			
Payments for inventories, services and works		(14,001,570)	(14,578,195)
Salary payments		(986,090)	(813,524)
Taxes paid		(537,399)	(410,796)
Interest paid		(116,299)	(206,078)
Net cash from/(used in) operating activities		**(981,238)**	**1,696,385**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(619,719)	(815,569)
Capitalised interest expenses		(23,669)	(42,267)
Proceeds from sale of property, plant and equipment		450	32,929
Short-term deposits		-	(667,800)
Net cash used in investing activities		**(642,938)**	**(1,492,707)**
Cash flows from financing activities			
Proceeds from borrowings	18	2,492,169	1,566,551
Repayments of borrowings	18	(3,143,917)	(1,233,388)
Net cash from/(used in) in financing activities		**(651,748)**	**333,163**
Cash and cash equivalents at the beginning of the year	**15**	**3,062,694**	**2,525,853**
Cash and cash equivalents at the end of the year	**15**	**786,770**	**3,062,694**

* - Reimbursement of borrowing expenses represent the government subsidies on interest expense of borrowings under the program "Business Road Map 2020" provided by the Entrepreneurship Development Fund "DAMU" JSC, as well as the subsidies provided by the Ministry of Agriculture of the Republic of Kazakhstan.

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS") for the year ended 31 December 2012 for Bayan Sulu JSC (hereinafter - the "Company").

The Company was established on 30 September 1993. On 14 June 2007 the Company was re-registered and received the State registration certificate #84-1937-AO. The Company is a joint stock company limited by shares and conducts its activities within the Republic of Kazakhstan. For information on the number of authorised and outstanding shares refer to Note 17.

At 31 December 2012 and 2011, the Company's immediate and ultimate parent is KazFoodProducts LLP with ownership of 88.93% (2011: 88.93%) (hereinafter - the "Parent Company"). The ultimate controlling parties of the Company are: Baimuratov Erlan Urazgeldinovich - 46%, Sarsembayev Aidarkhan Kairatbekuly - 46% and Tulpar Investments LLP - 8%.

Principal activity. The principal activity of the Company is the production and wholesale of confectionery products, including export sales to the CIS and foreign countries, exports of goods purchased from related parties, as well as the sale of other goods within the Republic of Kazakhstan, including flour, wheat, sugar and others.

The Company has a subsidiary which is a separate structural business unit located outside the place of the Company's location and carrying out all or part of its functions, including representative function. The subsidiary is not a legal entity. It is endowed with the property of the Company and acts on the basis of the approved regulations.

The subsidiary maintains its accounting records, prepares the financial statements in the prescribed manner and provides them to the Company and local government authorities. Information on the structural unit is as follows:

Subsidiary	Director	Registered address	Date of registration	Number of employees
Almaty subsidiary of Bayan Sulu JSC	Abulgazinov Marlen Alzhanovich	Almatinskaya oblast, Karasay district, Shamalgan station, Suyunbay Street, 1	2 December 2005	2

Registered address and place of business. The Company's registered address is 198, Borodin Str., Kostanay, 110006, the Republic of Kazakhstan.

The average number of the Company's employees was 1,460 people (2011: 1,527 people).

2 Operating Environment of the Company

The Republic of Kazakhstan displays certain characteristics of an emerging market. Tax, currency and customs legislation is subject to varying interpretations and contributes to the challenges faced by companies operating in the Republic of Kazakhstan (Note 31).

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Kazakhstan financial and corporate sectors. The future economic and regulatory situation may differ from management's current expectations.

3 Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment properties categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 5).

Functional and presentation currency. The functional and presentation currency of the Company's financial statements is the national currency of the Republic of Kazakhstan - Kazakhstani Tenge (hereinafter - "Tenge"). These financial statements are presented in thousand of Kazakhstani Tenge, unless otherwise stated. As at 31 December 2012 the official exchange rates used for translation foreign currency balances were 150.74 Tenge per 1 US Dollar (2011: 148.4 Tenge per 1 US Dollar), 4.96 Tenge per 1 Russian Ruble (in 2011 : 4.61 Tenge per 1 Russian ruble) and 199.22 Tenge per 1 Euro (2011: 191.72 Tenge per 1 Euro).

Financial instruments – key measurement terms. Depending on their classification financial instruments of the Company are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is the one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3 Significant Accounting Policies (Continued)

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The Company's financial assets are represented by "loans and receivables" and comprise financial assets within trade and other receivables (Note 14), finance lease receivables (Note 11), cash and cash equivalents (Note 15) and deposits with original maturity of more than three months (Note 16).

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

The Company's financial liabilities are represented by "other financial liabilities" and comprise financial liabilities within trade and other payables (Note 20) and borrowings (Note 18).

Initial recognition of financial instruments. Financial instruments are initially recorded at fair value plus 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.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Company derecognises financial assets when (a) the financial assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining 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.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate, if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

3 Significant Accounting Policies (Continued)

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and constructions	10 - 100
Machinery and equipment	4 - 50
Vehicles	2 - 10
Other	2 - 15

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price.

The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

(a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Market value of the Company's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within "other operating income". Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Company disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss for the year within net gain from fair value adjustment on investment property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

3 Significant Accounting Policies (Continued)

Operating leases. Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. Refer to the accounting policy "Impairment of financial assets carried at amortised cost".

Intangible assets. The Company's intangible assets other than trademark have definite useful lives and primarily include capitalised computer software and licences.

Acquired computer software licences, trademarks and other intangible assets are capitalised on the basis of the costs incurred to acquire and bring them to use. All costs associated with the software, e.g. its maintenance, are expensed when incurred. Computer software licenses have finite life and are amortised on a straight-line basis over their estimated useful lives, which is 3-4 years. Trademark has an unlimited useful life.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Income taxes. Income taxes have been provided in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates where the financial statements are authorised prior to the filing of the relevant tax returns. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3 Significant Accounting Policies (Continued)

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other filings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of reporting period.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis.

The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables except for tax prepayments and advances to suppliers are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status, history of debtors relations and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3 Significant Accounting Policies (Continued)

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for any impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

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

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

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

3 Significant Accounting Policies (Continued)

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss for the year (on a net basis with finance costs) over the period necessary to match them with the costs that they are intended to compensate.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of returns, VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Employee benefits. Wages, salaries, contributions to the pension fund of the Republic of Kazakhstan and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Company.

The Company offers its employees long-term benefits before, during and after retirement in accordance with the provisions of the Collective Agreement. The agreement, in particular, provides for the payment of lump sum benefits upon retirement, an anniversary award, funeral benefit to the Company's employees and retirees and their close relatives. The right to receive certain benefits normally is granted depending on the period of work before retirement and the experience of the employee.

Calculation of the expected cost of lump sum payment of severance payments is made during the work of an employee in the same manner as the defined benefit plans. Actuarial gains and losses that arise during the year are recognized in profit or loss for the year. For this purpose, actuarial gains and losses include both the effects of changes in actuarial assumptions and the impact of past experience, the difference between the actuarial assumptions and actual data.

Other changes in net surplus or deficit is recognized in profit or loss for the year, including the ongoing costs of services, prior service costs and the impact of reductions or calculations.

The most significant assumptions used in accounting for pension obligations – is the discount rate and the assumption about the level of mortality. The discount rate used to determine the net present value of future liabilities, and each year the unwinding of the discount on such obligations is recognised in the income statement as a finance cost. The assumption about the level of staff turnover is used to predict the future stream of benefit payments, which is then discounted to arrive at the net present value of the liabilities. Liabilities are measured on an annual basis by the Company itself or by independent qualified actuaries.

3 Significant Accounting Policies (Continued)

Earnings per share. Earnings per share is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares in the profits that were outstanding during the reporting year. The preference shares are not redeemable and are considered as shares participating shares in the profits.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either to settle on a net basis, or to realise the asset and to settle the liability simultaneously.

Barter transactions and mutual cancellations. A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter), cancellation of mutual balances or through a chain of non-cash transactions involving several companies.

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

In the normal course of business, the Company uses the netting of receivables under finance leases and operating leases and trade payables for purchase of goods and raw materials from related parties.

Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker (hereinafter - "CODM"). Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

Intangible assets with indefinite useful lives. The Company is considering the Bayan Sulu trademark as an intangible asset with an indefinite useful life. The reasons for this judgement are as follows:

- there are no legal provisions or requirements that limit the tenure of the Company's right to use the trademark in its operating activities;
- trademark is an integral part of the confectionery segment, and provides recognition of the Company's goods in the vast market of Kazakhstan, Russia and the CIS, in fact providing the Company's confectionery market based on established preferences of consumers who are familiar with this brand for many years;
- there are no conditions that lead to the fact that the Company could not use the brand after a certain time or dispose it to any third party, or otherwise indicate deterioration of the brand and the possibility of termination of benefits associated with its use.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment of intangible assets. The Company's confectionery segment includes plant, property and equipment and intangible assets with indefinite useful life (trademark). The segment represents the Company's main business unit that generates cash flows (hereinafter – "CGU"). Trademark, in accordance with the Company's accounting policy, is reviewed for impairment annually.

Since the plant, property and equipment and the trademark represent the single CGU, such CGU is reviewed for impairment annually, and its recoverable value is based on calculation of value in use of the assets included in the CGU. The value in use calculation applied cash projections based on financial budgets for five-year period. Cash flows beyond the five-year period were extrapolated using taking into account the projected growth rate corresponding to the forecasted general level of inflation in the Republic of Kazakhstan. The growth rate does not exceed the long-term average growth rate for the industries in which the CGU operates.

Below are presented main assumptions based on which value in use and the recoverable amount were calculated and are sensitive to:

In percentages	**31 December 2012**	**31 December 2011**
Average price increase rate	4%	1%
Discount rate	17.8%	14.2%
Average production volumes increase rate based on five-year budget	13%	15.3%

Management determines the estimated planned profits based on the results of the previous period, and their expectations for the market development, including considering plans to increase production in connection with access to new markets and increase product quality.

Based on the testing results, as at 31 December 2012 and 31 December 2011 no indications of impairment in the confectionery segment CGU have been identified.

The application of IAS 36 requires the extensive judgment on the part of management regarding the assumptions and estimates related to future cash flows and the discount rate. Taking into account the nature of the current global economic environment, such assumptions and estimates, ultimately, have a high level of uncertainty associated with them. Accordingly, assumptions, significantly different from the assumptions used by management, can lead to different results.

5 New Accounting Pronouncements

(i) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods, but the Company has not early adopted them:

Standard or interpretation	Content	Applicable for financial years beginning on or after
IFRS 9	Financial instruments: Classification and measurement	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of Interest in Other Entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
Amendments to IAS 1	Presentation of Financial Statements	1 July 2012
Amendments to IAS 19	Employee benefits	1 January 2013
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS	Improvements to International Financial Reporting Standards	1 January 2013
IFRS 10, IFRS 11 and IFRS 12	Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2013
IFRS 1	Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Government Loans"	1 January 2013
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities	1 January 2014

The Company is currently assessing the impact of the new standards on its financial statements, but the Company currently does not consider that the above new standards and interpretations will have a significant impact on the Company.

(ii) The following standard is not applicable for the Company's operations

IFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

6 Segment Information

Operating segments are the Company's components that are involved in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by CODM, responsible for making operating decisions, for which discrete financial information is available and prepared in accordance with IFRS. The function of CODM is performed by the president of the ultimate parent company.

(a) Description of products and services from which each reportable segment derives its profits

The Company is organised on the basis of two main reportable segments:

- Segment 1 – representing production and sales of confectionery products;
- Segment 2 – representing sales of goods purchased from related parties (flour, wheat and other).

(b) Factors that management used to identify the reportable segments

The Company's segments are strategic business units that focus on a variety of clients. They are managed separately since each business unit requires different marketing strategies and level of service. Financial information by segment, which is reviewed by CODM, includes the results of continuing operations of the Company.

(c) Measurement of operating segment profit and loss, assets and liabilities

Operating segments are reported in a manner consistent with the internal reports submitted to the parent's CODM. Operating segments are independent from each other and not aggregated. Assets and other information of the reportable segments are the same as disclosed in these financial statements.

The CODM evaluates the performance of each segment based on its gross profit.

(d) Information about reportable segment profit or loss, assets and liabilities

Information of the reportable segments for the years ended 31 December 2012 and 31 December 2011 is set out in the tables below:

In thousands of Kazakhstani Tenge	**Segment 1 Confectionery products**	**Segment 2 Sales of purchased goods**	**Total**
2012			
Revenues from external customers	10,681,344	3,759,084	**14,440,428**
Total revenues of the segment	**10,681,344**	**3,759,084**	**14,440,428**
Cost of Sales from external customers	9,068,275	4,015,189	**13,083,464**
Gross profit/(loss) of the segment	**1,613,069**	**(256,105)**	**1,356,964**

6 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Segment 1 Confectionery products	Segment 2 Sales of purchased goods	Total
2011			
Revenues from external customers	12,056,251	3,184,306	**15,240,557**
Total revenues of the segment	**12,056,251**	**3,184,306**	**15,240,557**
Cost of Sales from external customers	(10,444,497)	(3,209,896)	**(13,654,393)**
Gross profit/(loss) of the segment	**1,611,754**	**(25,590)**	**1,586,164**

The Company's assets comprise of assets of the confectionery segment. Depreciation and amortization expenses, interest expense and interest income are also related to the given segment.

(e) Analysis of revenues by products and services

The Company's revenues are analysed by products and services in Note 22.

(f) Analysis of revenues by geographical segment

Presented below is the analysis of revenues by geographical segment:

In thousands of Kazakhstani Tenge	2012	2011
Republic of Kazakhstan	8,843,086	9,246,087
Russian Federation	2,703,167	2,520,853
Other countries	2,894,175	3,473,617
Total revenues	**14,440,428**	**15,240,557**

(g) Major customers

Revenues from customers which represent 10 percent or more of the total revenues for 2012 and 2011 are as follows:

In thousands of Kazakhstani Tenge	Segment 1 Confectionery products	Segment 2 Sales of purchased goods	Total
2012			
Bayan Sauda LLP (Kazakhstan)	7,654,294	498,571	**8,152,865**
Habib Ruman CO LTD (Turkmenistan)	-	943,092	**943,092**
Nazirien LTD (Turkmenistan)	-	801,567	**801,567**
Hlebtorg LLP (Kazakhstan)	-	499,643	**499,643**
Nuri Dilshod LTD (Turkmenistan)	-	413,714	**413,714**
Total revenues for 2012	**7,564,294**	**3,156,587**	**10,810,881**

6 Segment information (Continued)

In thousands of Kazakhstani Tenge	Segment 1 Confectionery products	Segment 2 Sales of purchased goods	Total
2011			
InterFoodTrade LLP (Kazakhstan)	5,828,084	-	**5,828,084**
Bayan Sauda LLP (Kazakhstan)	3,490,349	-	**3,490,349**
Habib Ruman CO LTD (Turkmenistan)	-	1,133,919	**1,133,919**
Nazirien LTD (Turkmenistan)	-	860,180	**860,180**
Nuri Dilshod LTD (Turkmenistan)	-	510,516	**510,516**
Total revenues for 2011	**9,318,433**	**2,504,615**	**11,823,048**

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operating decisions. In considering each possible related party relationship, attention is stressed on the substance of the relationship, not merely the legal form.

Companies under common control are the other subsidiaries of the KazFoodProducts LLP.

At 31 December 2012 the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Note	Parent Company	Companies under common control	Other related parties	Key management personnel	Total
Trade receivables, gross	14	-	228,624	-	-	**228,624**
Other trade receivables, gross	14	-	394,882	-	-	**394,882**
Finance lease receivables (effective interest rate: from 7% to 9.6%)	11	-	146,267	-	-	**146,267**
Trade and other payables	20	-	-	-	1,224	**1,224**
Provisions for liabilities and charges		-	-	-	4,457	**4,457**

Other related parties are companies that are under the influence of the ultimate controlling party of the Company as disclosed in Note 1. Finance lease receivables from related parties were neither past due nor impaired (Note 11). Other financial assets were neither past due nor impaired.

7 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2012 were as follows:

In thousands of Kazakhstani Tenge	Parent Company	Companies under common control	Other related parties	Total
Revenues	-	8,175,683	-	**8,175,683**
Income from operating lease	34,286	33,522	-	**67,808**
Other operating income	-	394,882	-	**394,882**
Compensation of losses resulted from sales of goods purchased from related parties	-	75,963	-	**75,963**
Interest income from finance lease	-	23,805	-	**23,805**
Purchase of inventory	-	3,908,829	-	**3,908,829**
Management costs	72,982	-	-	**72,982**

Revenues are represented by sales of confectionery to Bayan Sauda LLP who is the main customer in the territory of the Republic of Kazakhstan. Other operating income includes fees and penalties on breach of contract terms of supply of raw materials by AsiaAgroFood JSC.

At 31 December 2011 the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Note	Parent Company	Companies under common control	Other related parties	Key manage-ment personnel	Total
Cash and cash equivalents	15	-	-	848,410	-	**848,410**
Trade receivables, gross	14	-	289,758	-	-	**289,758**
Other trade receivables, gross	14	-	286,920	-	-	**286,920**
Finance lease receivables (effective interest rate: from 8.62% to 38.14%)	11	-	293,716	337,888	-	**631,604**
Other assets		-	30	-	-	**30**
Interest free loans	18	204,335	-	-	-	**204,335**
Trade and other payables	20	38,000	102,131	23,799	1,204	**165,134**
Provisions		-	-	-	4,502	**4,502**

The income and expense items with related parties for the year ended 31 December 2011 were as follows:

In thousands of Kazakhstani Tenge	Parent Company	Companies under common control	Other related parties	Total
Revenue	-	3,457,889	5,856,327	**9,314,216**
Income from operating lease	28,929	28,907	-	**57,836**
Other operating income	-	304,040	-	**304,040**
Compensation of losses resulted from sales of goods purchased from related parties	-	142,662	-	**142,662**
Interest income from finance lease	-	36,112	59,710	**95,822**
Purchase of inventory	-	3,993,610	448,908	**4,442,518**
Marketing expenses	33,929	-	-	**33,929**

During 2012 and 2011, the key management personnel includes the Chairman of the Board of Directors, the Member of the Board of Directors, the Chairman of the Board - President, Chief Financial Officer and Director of the Almaty subsidiary. The remuneration of key management personnel represents salaries and short-term employee benefits.

7 Balances and Transactions with Related Parties (Continued)

The table below shows the remuneration of key management personnel:

In thousands of Kazakhstani Tenge	Note	2012 Expenses	2012 Accrued liability	2011 Expenses	2011 Accrued liability
Short-terms payments:					
- Salary		62,238	-	52,611	-
- Short-term bonuses		1,488	-	3,447	-
Other long-term payments	19				
- Retirement		-	121	-	1,314
- Anniversary		-	4	-	6
Total		**63,726**	**125**	**56,058**	**1,320**

Short-term bonuses are to be paid in full within 12 months after the end of the reporting period in which the key management personnel rendered the related services.

8 Property, Plant and Equipment

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

In thousands of Kazakhstani Tenge	Note	Land	Buildings and construc-tions	Machi-nery and equip-ment	Vehicles	Other	Construc-tion in progress	Total
Cost at 1 January 2011		35,097	1,504,965	6,456,042	179,664	248,179	65,183	8,489,130
Accumulated depreciation		-	(87,742)	(1,501,165)	(77,010)	(96,897)	-	(1,762,814)
Carrying amount at 1 January 2011		**35,097**	**1,417,223**	**4,954,877**	**102,654**	**151,282**	**65,183**	**6,726,316**
Additions		-	11,486	71,456	936	4,873	863,208	951,959
Capitalised borrowings costs	18	-	-	-	-	-	42,267	42,267
Internal transfers		-	22,022	660,160	41,833	20,151	(744,166)	-
Disposals		-	(19,860)	(3,356)	-	(116)	(2,693)	(26,025)
Depreciation charge		-	(32,916)	(619,768)	(17,789)	(34,447)	-	(704,920)
Cost at 31 December 2011		35,097	1,517,920	7,177,972	222,434	267,825	223,799	9,445,047
Accumulated depreciation		-	(119,965)	(2,114,603)	(94,800)	(126,082)	-	(2,455,450)
Carrying amount at 31 December 2011		**35,097**	**1,397,955**	**5,063,369**	**127,634**	**141,743**	**223,799**	**6,989,597**
Additions		-	6,526	6,313	-	4,225	773,926	790,990
Capitalised borrowings costs	18	-	12,220	11,449	-	-	-	23,669
Internal transfers		-	403,826	359,984	51,124	49,033	(863,967)	-
Disposals		-	-	-	(64)	-	-	(64)
Depreciation charge		-	(27,326)	(514,538)	(22,220)	(30,268)	-	(594,352)
Cost at 31 December 2012		35,097	1,940,492	7,555,718	273,494	321,083	133,758	10,259,642
Accumulated depreciation		-	(147,291)	(2,629,141)	(117,020)	(156,350)	-	(3,049,802)
Carrying amount at 31 December 2012		**35,097**	**1,793,201**	**4,926,577**	**156,474**	**164,733**	**133,758**	**7,209,840**

At 31 December 2012 construction in progress represents the building of biscuit shop #2 in the amount of Tenge 42,979 thousand, the construction of the center of banking services in the amount of Tenge 7,663 thousand, as well as equipment in the installation in the amount of Tenge 83,116 thousand. Upon completion, equipment in the installation is transferred to the category of "buildings and constructions" and "machinery and equipment".

In 2012 interest expense on borrowings from Kazkommertsbank JSC was capitalised in the cost of the related property, plant and equipment in the amount of Tenge 23,669 thousand (2011: Tenge 42,267 thousand). Capitalisation rate was 8.79 percent (2011: 10.3 percent).

8 Property, Plant and Equipment (Continued)

At 31 December 2012 property, plant and equipment amounted to Tenge 6,493,271 thousand (2011: Tenge 6,355,005 thousand) were pledged to third parties as collateral for borrowings (Note 31).

At 31 December 2012 the Company had fully amortised fixed assets with the cost amounted to Tenge 351,224 thousand (2011: Tenge 297,099 thousand).

Property, plant, equipment and intangible assets are part of one CGU (confectionery segment), and are periodically reviewed for impairment. At 31 December 2012 and 31 December 2011 no impairment was noted (Note 4).

Depreciation charge

In thousands of Kazakhstani Tenge	Note	2012	2011
Cost of Sales	23	532,051	644,456
General and administrative expenses	25	42,826	42,027
Distribution costs	24	19,475	18,438
Total depreciation charge		**594,352**	**704,921**

9 Investment property

In thousands of Kazakhstani Tenge	Note	31 December 2012	31 December 2011
Investment properties at fair value at 1 January		**460,352**	**458,710**
Expenditure on subsequent improvements		-	36
Fair value gains/(losses) less losses/(gains) on revaluation at fair value	26	(27,563)	1,606
Investment properties at fair value at 31 December		**432,789**	**460,352**

The investment properties are valued annually on 31 December at fair value, by an independent, professionally qualified valuer who has recent experience in valuing similar properties.

The carrying amount of investment properties at 31 December 2012 and 31 December 2011 agree to the valuations reported by external valuers.

Loss on revaluation at fair value mainly relates to the object "Land in Almaty (#20-315-020-271)" in connection with changes in market prices trends.

At 31 December 2012 investment property amounted to Tenge 76,440 thousand (2011: Tenge 76,644 thousand) were pledged to third parties as collateral for borrowings (Note 31).

10 Intangible assets

In thousands of Kazakhstani Tenge	Licenses and software	Trademark	Total
Cost at 1 January 2011	2,148	1,194,690	**1,196,838**
Accumulated amortisation	(1,759)	-	**(1,759)**
Carrying amount at 1 January 2011	**389**	**1,194,690**	**1,195,079**
Additions	1,271	-	**1,271**
Amortisation charge	(355)	-	**(355)**
Cost at 31 December 2011	3,419	1,194,690	**1,198,109**
Accumulated amortisation	(2,114)	-	**(2,114)**
Carrying amount at 31 December 2011	**1,305**	**1,194,690**	**1,195,995**
Additions	-	-	**-**
Amortisation charge	(252)	-	**(252)**
Cost at 31 December 2012	3,419	1,194,690	**1,198,109**
Accumulated amortisation	(2,366)	-	**(2,366)**
Carrying amount at 31 December 2012	**1,053**	**1,194,690**	**1,195,743**

Bayan Sulu trademark does not have a definite useful life and is used by the confectionary segment – the main production segment of the Company. The Company periodically re-registers its rights for the given trademark and other commercial labels of its products according to the requirements of the legislation of the Republic of Kazakhstan. This provides the Company with the rights of using these trademarks.

Trademark is included in the confectionary segment and periodically tested for impairment within the respective CGU. At 31 December 2012 and 31 December 2011 no impairment was noted (Note 4).

11 Finance Lease Receivables

Since 2007, the Company has been actively involved in finance lease activities as a lesser. The Company leases mainly vehicles and other equipment to related and third parties under mid-term and long-term finance lease contracts.

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of Kazakhstani Tenge	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Finance lease payments receivable at 31 December 2012	**438,477**	**376,537**	**376,538**	**1,191,552**
Unearned finance income	(126,182)	(323,076)	(181,715)	(630,973)
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 31 December 2012	**312,295**	**53,461**	**194,823**	**560,579**
Finance lease payments receivable at 31 December 2011	**358,340**	**533,007**	**470,672**	**1,362,019**
Unearned finance income	(127,311)	(347,642)	(255,462)	(730,415)
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 31 December 2011	**231,029**	**185,365**	**215,210**	**631,604**

The primary factor that the Company considers in determining whether receivables are impaired is their overdue status and history of the relationship with the debtor. On this basis the Company presents below an ageing analysis of finance lease receivables that are individually determined to be not impaired. The parties came to an agreement for the sale of leased property in 2013 at its fair value.

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Neither past due nor impaired		
- from third parties	286,490	-
- from related parties	146,267	551,476
Total neither past due nor impaired	**432,757**	**551,476**
Past due but not impaired		
- less than 30 days overdue	40,100	40,064
- 181 to 360 days overdue	34,073	40,064
- over 360 days overdue	53,649	-
Total past due but not impaired	**127,822**	**80,128**
Total finance lease receivables	**560,579**	**631,604**

The finance lease receivables are effectively collateralised by the leased assets as the right to the asset reverts to the company in case of the counterparty's default.

11 Finance Lease Receivables (Continued)

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Finance lease receivables collateralised by:		
- residential real estate	414,312	337,888
- equipment and vehicles	146,267	293,716
Total finance lease receivables	**560,579**	**631,604**

At 31 December 2012 and 2011 the carrying amount of finance lease receivables approximates their fair value.

12 Other Non-Current Assets

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Prepayments for property, plant and equipment	30,271	-
Other	30	30
Total other non-current assets	**30,301**	**30**

13 Inventories

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Raw materials	1,982,095	1,715,314
Work in progress	25,064	26,575
Finished goods	363,607	277,946
Goods for resale	1,596,582	653,691
Other	210,214	229,313
Impairment provision	(46,082)	(49,094)
Total inventories	**4,131,480**	**2,853,745**

Goods for resale include stocks of corn and flour of first grade purchased for further resale.

14 Trade and Other Receivables

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Financial assets		
Trade receivables	1,014,173	553,058
Other financial trade receivables	417,987	311,619
Less: impairment loss provision	(6,300)	(3,759)
Total financial assets	**1,425,860**	**860,918**
Non-financial assets		
Other trade receivables	8,915	7,466
Prepayments	147,850	251,451
Less: impairment loss provision	(92)	(695)
Total non-financial assets	**156,673**	**258,222**
Total trade and other receivables	**1,582,533**	**1,119,140**

Trade receivables in the amount of Tenge 220,707 thousand (2011: Tenge 253,333 thousand) are denominated in foreign currency, including 49 percent denominated in Russian Rubles (2011: 66 percent) and 51 percent in US Dollars (2011: 34 percent).

Other financial trade receivables include amounts related to compensation of losses resulted from sale of goods purchased from related parties, the amount of accrued fines and penalties for non-compliance with the contractual obligations on the supply of raw material by related parties, as well as accrued interests on deposits and receivables under operating lease contracts.

The prepayments amount mainly comprise of the advances given to foreign suppliers of raw materials and related parties for the supply of raw materials and goods for resale.

At 31 December 2012 prepayment in the amount of Tenge 20,487 thousand is a letter of credit issued to suppliers for the purchase of raw materials. The amount provided in the letter of credit is not available to the Company until the expiry of the letter of credit or making payments to the supplier.

Movement in the impairment provision for trade and other receivables are as follows:

	2012		2011	
In thousands of Kazakhstani Tenge	Trade receivables	Prepay-ments	Trade receivables	Prepay-ments
Provision for impairment at 1 January	**3,759**	**695**	**7,338**	**1,396**
Provision for impairment during the year	2,541	-	-	-
Recovery of impairment during the year	-	(603)	(3,579)	(701)
Provision for impairment at 31 December	**6,300**	**92**	**3,759**	**695**

14 Trade and Other Receivables (Continued)

Provided below is credit quality analysis of financial assets within trade and other receivables:

	2012		2011	
In thousands of Kazakhstani Tenge	Trade Receivables	Other financial trade receivables	Trade Receivables	Other financial trade receivables
Neither past due nor impaired				
- Related parties	647,024	407,927	283,096	293,587
- Foreign customers	238,020	-	247,365	-
- Large Kazakhstani companies	122,827	3,495	-	-
- Commercial banks on accrued interest on deposits	-	5,855	-	16,257
- Others	2	710	-	1,775
Total neither past due nor impaired	**1,007,873**	**417,987**	**530,461**	**311,619**
Past due but not impaired				
- over 360 days overdue	-	-	16,553	-
Total past due but not impaired	**-**	**-**	**16,553**	**-**
Individually determined to be impaired (gross)				
- 30 to 90 days overdue	-	-	6,029	-
- 181 to 360 days overdue	161	-	5	-
- over 360 days overdue	6,139	-	10	-
Total individually impaired	**6,300**	**-**	**6,044**	**-**
Less: impairment provision	**(6,300)**	**-**	**(3,759)**	**-**
Total	**1,007,873**	**417,987**	**549,299**	**311,619**

15 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Cash on hand	2,286	348
Cash on current accounts	588,501	1,585,321
Term deposits with original maturity of less than three months	195,983	1,477,025
Total cash and cash equivalents	**786,770**	**3,062,694**

15 Cash and Cash Equivalents (Continued)

The Company's cash and cash equivalents are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**31 December 2012**	**31 December 2011**
Tenge	588,628	1,582,616
US Dollars	195,984	1,477,048
Russian Rubles	1,990	2,758
Euro	168	272
Total cash and cash equivalents	**786,770**	**3,062,694**

The credit quality of cash and cash equivalents at 31 December 2012 and 2011 is as follows:

		31 December 2012		**31 December 2011**	
In thousands of Kazakhstani Tenge	**Fitch rating**	**Balances on bank accounts**	**Term deposits**	**Balances on bank accounts**	**Term deposits**
Not due and not impaired					
AKB Credit Partnership LLP	No rating	585,125	-	848,410	-
Kazkommertsbank JSC	B – (stable)	3,323	195,983	736,867	1,477,025
ATF Bank JSC	BBB (negative)	53	-	43	-
Total		**588,501**	**195,983**	**1,585,320**	**1,477,025**

	31 December 2012 (Fitch)	**31 December 2011 (S&P)**
AKB Credit Partnership LLP	No rating	No rating
Kazkommertsbank JSC	B – (stable)	BBB (stable)
ATF Bank JSC	BBB (negative)	B (stable)

Balance of cash and cash equivalents in the amount of Tenge 585,125 thousand at 31 December 2012 (2011: Tenge 848,410 thousand) is cash settlement account opened in AKB Credit Partnership LLP, which is a legal entity operating according to the law of the Republic of Kazakhstan On Credit Partnerships of 28.03.2003 # 400-II.

16 Term deposits with the original maturity of more than three months

In thousands of Kazakhstani Tenge	**31 December 2012**	**31 December 2011**
Term deposits with the original maturity of more than three months (2012: 3.5%, 2011: 3.5%)	678,330	667,800
Total deposits	**678,330**	**667,800**

16 Term deposits with the original maturity of more than three months (Continued)

Term deposits are deposits with maturities of more than three and less than twelve months. In October 2011, the Company opened a deposit at Kazkommertsbank JSC in the total amount of 7,500,000 US Dollars with a minimum balance of 60 percent in the amount of 4,500,000 US Dollars and maturity of one year. The contractual interest rate is 3.5 percent per annum with the possibility of disposal at the end of the term. In October 2012, the Company cashed accumulated interest and extended the deposit for one year until October 2013 on the same terms.

At 31 December 2012 and 2011 the carrying amount of the deposit approximates its fair value.

The credit quality of Kazkommertsbank JSC is presented in Note 15.

17 Share Capital

In thousands of Kazakhstani Tenge	Number of outstanding shares	Ordinary shares	Total
At 1 January 2011	**44,660,000**	**9,625,985**	**9,625,985**
New shares issued	-	-	-
At 31 December 2011	**44,660,000**	**9,625,985**	**9,625,985**
New shares issued	-	-	-
At 31 December 2012	**44,660,000**	**9,625,985**	**9,625,985**

The total number of authorised ordinary shares is 100,000,000 shares (2011: 100,000,000 shares). All issued ordinary shares are fully paid. Each ordinary share carries the right to one vote.

In 2010, 33,333,333 outstanding shares were paid by offsetting the liabilities on borrowings from the parent company in the amount of Tenge 5,000,000 thousand. The placement price of shares acquired by the shareholder under pre-empting right was set by the Board of Directors of the Company as Tenge 150 per share. The remaining part of shares placed in 2010 was paid by cash, with placement price of Tenge 586 at the average.

According to the Law on Joint Stock Companies of the Republic of Kazakhstan dated 13.05.2003 #415-II, the term "nominal price" is not used, instead the term "placement price" is used. The placement price is set by the Board of Directors and is a minimum price at which the placement of shares is possible.

Dividends were not declared during the year in connection with the decision of the General Meeting of Shareholders to allocate the 2012 and 2011 retained earnings to the production development. Preference shares have not been issued.

As the Company issued only ordinary shares, all shareholders have equal rights. There are no preferences, limitations related to the corresponding type or category of shares, including those related to allocation of dividends and share cost recovery.

On 8 November 2010 Kazakhstan Stock Exchange JSC approved the new listing requirements stating that the Company must disclose the total assets minus total intangible assets, total liabilities and preferred non-voting shares (equity) divided by the number of ordinary shares outstanding at the end of the year.

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Book value per ordinary share	0.26	0.25

18 Borrowings

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Current borrowings		
Borrowings	1,297,768	1,687,357
Interest payable	26,047	61,020
Total current borrowings	**1,323,815**	**1,748,377**
Non-current borrowings		
Borrowings	757,773	1,041,622
Total non-current borrowings	**757,773**	**1,041,622**
Total borrowings	**2,081,588**	**2,789,999**

The carrying amount of the Company's borrowings as of 31 December 2012 and 2011 are denominated in the following currencies:

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Tenge	1,964,153	1,798,575
US Dollars	117,435	139,914
Euro	-	851,510
Total borrowings	**2,081,588**	**2,789,999**

Kazkommertsbank JSC. On 24 November 2004 the Company signed an agreement with Kazkommertsbank JSC on opening of credit line up to 300,000 thousand US Dollars with a maturity till 24 November 2006. In subsequent years, the maturity of the credit line was extended till 1 September 2016, and the credit limit was increased to the amount of 6,757 thousand US Dollars, 1,860 thousand Euro and Tenge 997,043 thousand. Principal and interest are to be paid quarterly and semi-annual installments depending on the terms specified in the supplementary agreements to each particular tranche.

The total amount of borrowings received from Kazkommertsbank JSC as at 31 December 2012 amounted to Tenge 2,081,588 thousand (2011: Tenge 2,524,645 thousand). The interest rate on loans is nearly 11 percent.

In 2012, the Company received tranche amounted to Tenge 1,677,839 thousand. During 2012 the Company repaid the principal and accrued interest in of Tenge 2,122,451 thousand and Tenge 91,290 thousand, respectively.

Borrowings at Kazkommertsbank JSC were received as part of single line of credit and secured by the property, plant and equipment, investment property and intangible assets (Note 31).

KazFoodProducts LLP. In 2009, the Company received an interest-free loan for the total amount of Tenge 204,335 thousand from the Parent Company KazFoodProducts LLP. Loans from parent company have no fixed date of repayment, so redeemed on demand, and are classified as current. During 2012, the Company received additional tranches and repaid the principal in the amount of Tenge 814,330 thousand and Tenge 1,021,465 thousand, respectively. As of 31 December 2012 the carrying value of the loan amounted to nil (2011: Tenge 204,335 thousand).

At 31 December 2012 and 2011 the carrying amount of loans and borrowings approximates their fair value.

19 Employee benefits obligation

The following is the analysis of the present value of long-term employee benefit obligations by type of costs:

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
The present value of defined benefit obligations at the beginning of the year	84,206	69,138
Unwinding of discount	4,883	4,251
Benefits paid	(601)	(2,740)
Current service costs	1,407	8,394
Actuarial losses/(gains)	(8,837)	5,163
The present value of defined benefit obligations at the end of the year	**81,058**	**84,206**

Amounts recognised in the statement of financial position and statement of comprehensive income:

In thousands of Kazakhstani Tenge	Note	31 December 2012	31 December 2011
The present value of defined benefit obligations at the end of the year		81,058	84,206
Net liabilities		**81,058**	**84,206**
Unwinding of discount	28	4,883	4,251
Current service costs		1,407	8,394
Actuarial losses/(gains)		(8,837)	5,163
The expense/(income) recognised in the statement of comprehensive income		**(2,547)**	**17,808**

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income	3,960	12,797

Unwinding of discount of present value is reflected in the finance costs (Note 28).

Current service costs and actuarial gains/losses are recognised in cost of sales and general and administrative expenses (Note 23, 25), depending on whether the employee associated with such expenses work in the production or administrative department.

The main actuarial assumptions at the reporting date are as follows:

In percentage	31 December 2012	31 December 2011
Discount rate at 31 December	6.88	5.84
Future salary increase	10.60	11.25

Mortality rates used in the calculation of employee benefits as of 31 December 2012 and 2011 are based on official data of the Kazakhstan Actuarial Center.

20 Trade and Other Payables

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Trade payables	453,707	879,262
Other trade payables	494	6,680
Total financial liabilities	**454,201**	**885,942**
Payroll payable	73,156	64,626
Advances received	271	15,139
Provision for unused vacation	85,601	78,332
Provision for finished goods returns	22,628	20,281
Other payables	3,862	1,820
Total non-financial liabilities	**639,719**	**1,066,140**

Accounts payable in the amount of Tenge 405,645 thousand (2011: Tenge 282,614 thousand) are denominated in foreign currencies, mainly the Euro which is 37 percent (2011: 45 percent), 31 percent in Russian Rubles (2011: 46 percent) and 33 percent in US Dollars (2011: 8 percent).

21 Other Taxes Payable

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Value added tax	60,915	70,019
Social tax and other payables	31,386	27,809
Total other taxes payable	**92,301**	**97,828**

22 Revenue

In thousands of Kazakhstani Tenge	2012	2011
Revenue from sales of finished goods	10,681,344	11,960,975
Revenue from sales of purchased goods	3,736,775	3,184,306
Other sales of inventory and services	22,309	95,276
Total revenue	**14,440,428**	**15,240,557**

23 Cost of Sales

In thousands of Kazakhstani Tenge	2012	2011
Cost of finished goods sold	9,068,275	10,380,818
Cost of purchased goods sold	4,000,519	3,209,896
Cost of other inventory and services sold	14,670	63,679
Total cost of sales	**13,083,464**	**13,654,393**

23 Cost of Sales (Continued)

The following is an analysis of the cost of sales of finished goods by cost elements:

In thousands of Kazakhstani Tenge	Note	2012	2011
Raw materials		7,297,891	8,385,175
Payroll and related expenses		893,451	824,326
Depreciation and amortisation	8	532,051	644,456
Utilities		243,789	267,172
Repairs and maintenance expenses		187,919	201,938
Accrual/(storno) of slow moving inventory provision	13	(3,012)	12,644
Other		337	17,957
Finished goods and work in progress at the year beginning	13	304,521	331,670
Finished goods and work in progress at the year end	13	388,672	304,521
Change in work in progress and finished goods		(84,151)	27,150
Total cost of finished goods sold		**9,068,275**	**10,380,818**

24 Distribution Costs

In thousands of Kazakhstani Tenge	Note	2012	2011
Transportation costs		388,852	367,595
Payroll and related expenses		73,179	61,741
Marketing expenses		34,074	56,829
Raw materials		32,812	36,265
Depreciation and amortisation	8	19,475	18,438
Other		56,212	52,687
Total distribution costs		**604,604**	**593,555**

For several years, the Company has been the general sponsor of the Tobol BT PUC – Kostanay basketball club. In 2012, amount of sponsorship provided by the Company to Tobol BT PUC amounted to Tenge 5,357 thousand (2011: Tenge 5,679 thousand), and was included in the line "Marketing expenses".

25 General and Administrative Expenses

In thousands of Kazakhstani Tenge	Note	2012	2011
Payroll and related expenses		273,102	238,063
Management costs		72,982	-
Property tax and other taxes		43,027	28,697
Depreciation and amortisation	8	42,826	42,027
Bank charges		34,804	24,269
Utilities		32,505	25,888
Compensations on agreements		31,653	-
Business trips		16,419	16,158
Repairs and maintenance expenses		11,508	17,790
Raw materials		11,261	11,355
Other		55,773	49,468
Total general and administrative expenses		**625,860**	**453,715**

The company is a member of the Our City Corporate Fund (hereinafter – "Fund"), whose mission is to promote social and economic development of Kostanay city and Kostanay region. The Company provides charity support to implement the Fund's objectives. In 2012, amount of sponsorship provided by the Company amounted to Tenge 1,000 thousand (2011: Tenge 2,000 thousand), and was included in line "Other".

25 General and Administrative Expenses (Continued)

Other expenses include provision for returns of the finished goods, which includes an increase in the amount of estimated returns of confectionery products in 2013, calculated based on the average return rate of finished goods during the previous three years.

Management costs represent the parent company's services related to attraction of suppliers, including the conclusion of contracts, assistance in the organisation of meetings and negotiations with contractors. During 2012, the parent company began intensive work to improve the organisation of the procurement plan of the Company.

Compensations on agreements represent purchases of grain from the NC Food Corporation JSC with aim for further resale. Due to adverse changes in market prices of grain in 2012, the Company incurred fines and compensations for failure to meet contractual obligations for the total amount of Tenge 31,653 thousand.

26 Other Operating Income and Expenses

In thousands of Kazakhstani Tenge	Note	2012	2011
Income from penalty and compensation of losses resulted from sales of goods purchased from related parties		494,623	249,145
Income from operating lease		67,648	58,543
Forex gain, net		19,367	299
Income from disposals of assets		7,422	9,772
Gains less losses from revaluation of investment property		-	1,605
Total other operating income		**589,060**	**319,364**
Losses less gains from revaluation of investment property	9	(27,563)	-
Other expenses		(45,526)	(44,178)
Total other operating expense		**(73,089)**	**(44,178)**

27 Finance Income

In thousands of Kazakhstani Tenge	2012	2011
Interest income from finance lease	100,229	95,822
Net forex gain on borrowings	24,563	-
Interest income on bank deposits	43,731	40,850
Total finance income	**168,523**	**136,672**

28 Finance Costs

In thousands of Kazakhstani Tenge	Note	2012	2011
Interest expense on borrowings		173,109	244,717
Reimbursement for interest expense on borrowings		(139,314)	(173,030)
Net forex loss on borrowings		-	6,909
Long-term employee benefits: unwinding of discount	19	4,883	4,251
Total finance costs		**38,678**	**82,847**

28 Finance Costs (Continued)

Reimbursement for interest on borrowings obtained by the Company consist of two types of government grants:

- Under the "Business Road Map 2020" program, Entrepreneurship Development Fund "DAMU" JSC provides subsidies of 70 - 100 percent of the interest rate specified in the borrowings agreements. In 2012, the amount of subsidies is Tenge 90,637 thousand (2011: Tenge 19,355 thousand).
- The program of subsidising entities engaged in the processing of agricultural products, the Ministry of Agriculture of the Republic of Kazakhstan grants subsidies of 80 percent of the paid interest on borrowings (since September 2011 the amount of subsidies was changed to 56.6 percent of the paid interest). In 2012, the Company received subsidies for the borrowings in amount of Tenge 48,677 thousand (2011: Tenge 153,675 thousand).

29 Corporate Income Tax

(a) Components of Corporate Income Tax expenses

Income tax expenses include the following:

In thousands of Kazakhstani Tenge	2012	2011
Current tax	1,401	-
Deferred tax	135,021	269,026
Income tax expense for the year	**136,422**	**269,026**

Current income tax is Tenge 1,401 thousand (2011: zero) due to the significant tax deductions on property, plant and equipment and investment preferences, taken for deductions in the full amount of assets' cost at the year in which such asset is put in use/purchased given the compliance with the requirements of the Tax Code of the Republic of Kazakhstan for classifying investment. The amount of such deductions in the reported periods was significant in view of the current capital program of modernisation of the Company's production.

(b) Reconciliation of expenses related to income taxes to the amount of profits and losses, multiplied by the applicable tax rate

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

In thousands of Kazakhstani Tenge	Note	2012	2011
IFRS profit before income tax		**772,316**	**867,904**
Theoretical income tax expense (20%)		154,463	173,581
Tax effect of items which are not deductible or assessable for taxation purposes:			
- Interest income from finance lease	27	(20,046)	(4,226)
- Other		2,005	99,671
Total income tax expense for the year		**136,422**	**269,026**

(c) Analysis of deferred taxation by type of temporary differences

Differences between IFRS and tax legislation of the Republic of Kazakhstan rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their basis for the calculation of income tax. The following are details of the tax effect of the movements in these temporary differences, which are recorded at the rate of 20 percent (2011: 20 percent).

29 Corporate Income Tax (Continued)

In thousands of Kazakhstani Tenge	1 January 2012	(Charged)/ credited to profit and loss	31 December 2012
Tax effect of deductible temporary differences			
Provisions	(46,383)	(81)	(46,464)
Investment property	(18,146)	(5,513)	(23,659)
Tax loss carry forward	(7,961)	192	(7,769)
Losses carried forward in the growth of the cost	(18,128)	18,128	-
Other	(1,530)	1,530	-
Gross deferred income tax asset	**(92,148)**	**14,256**	**(77,892)**
Tax effect of taxable temporary differences			
Property, plant and equipment	733,857	120,765	854,622
Gross deferred income tax liability	**733,857**	**120,765**	**854,622**
Less offsetting with deferred income tax asset	(92,148)	14,256	(77,892)
Recognised deferred income tax liability	**641,709**	**135,021**	**776,730**

Deferred tax liability on property, plant and equipment arises in connection with an active capital program and the modernisation program undertaken by the Company during last several years. The significant difference between the accounting and tax bases of fixed assets results from the investment tax preferences for which the Company allocates the full amount of the added/purchased property, plant and equipment to tax deductions.

30 Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the year. The calculation of basic earnings per share is based on the following data:

In thousands of Kazakhstani Tenge	Note	2012	2011
Profit for the year		635,894	598,879
Weighted average number of ordinary shares in issue	17	44,660,000	44,660,000
Basic earnings per share (Kazakhstani Tenge per share)		**14.24**	**13.41**

The Company has no ordinary shares with dilutive effect, therefore, the diluted earnings per share is the same as the basic earnings per share.

31 Contingencies, Commitments and Operating Risks

The political and economic situation in Kazakhstan. Despite the fact that in recent years there has been improvement in the economic situation of the Republic of Kazakhstan, the economy continues to show signs of an emerging market. These characteristics include, but are not limited to the existence of the national currency, which has no free conversion outside the country, and a low level of liquidity in the securities market. In addition, the agricultural sector is influenced by political, legislative, fiscal and regulatory developments in Kazakhstan. Prospects for economic stability of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, as well as the development of the legal and political systems.

31 Contingencies, Commitments and Operating Risks (Continued)

Financial position and future operations of the Company may be impaired as a result of continuing economic problems specific to developing countries. Management is unable to predict either the extent or the duration of the economic difficulties, or to assess the impact that may occur on these financial statements.

Tax legislation. Kazakhstani tax legislation and practice are in a state of continuous development and therefore are subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the Kazakhstan tax authorities for five years. The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs provisions will be sustained.

Whilst there is a risk that the tax authorities may challenge the policies, including those relating to transfer pricing legislation, the management believes that they would be successful in defending their position and notes that the amount of potential claim of the tax authorities cannot be reliably estimated. Accordingly, on 31 December 2012 no provision for potential tax liabilities had been recorded in financial statements (2011: no provision recorded).

Transfer pricing. Under the Kazakhstani transfer pricing law, international business transactions are subject to transfer pricing control. This law prescribes the Kazakhstani companies are required to maintain and, if needed, to provide the economic rationale and method of determination of prices applied in controllable transactions, including documentation supporting the prices and differentials.

Differentials could not be applied to international business transactions with entities registered in jurisdictions included by the Government of Kazakhstan in the list of jurisdictions with preferential tax regimes. In case of deviation of transaction price from market price the tax authorities have the right to adjust taxable income and to impose additional taxes, fines and interest penalties.

Transfer pricing law in some areas does not contain a detailed and clear guidance in terms of how its rules should be applied in practice (for example, the form and content of the documentation supporting the discount), and the definition of tax liabilities of the Company in the context of the provisions on transfer pricing requires an interpretation of the law on transfer pricing.

The Company's management believes that, as used by the Company in 2012 and prior years, the prices correspond to market levels, and it has established internal control procedures to meet the new requirements of the law on transfer pricing.

The Company conducts transactions subject to the state transfer pricing control. Sales of products to the Company's cross-border customers are set at the market price based on the arms-length principle.

Changes in tax legislation. On 21 July 2011, the President of the Republic of Kazakhstan signed a law on amendments and modifications to the Tax Code which is effective from 1 January 2012. Key changes refer to international taxation.

Environmental matters. The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the financial statements. The Company's management believes that there are no significant liabilities for environmental damage.

Legal proceedings. The Company may be involved in certain legal proceedings arising in the normal course of business. The management believes that the Company does not have any current outstanding litigation or other claims the outcome of which will have significant adverse effect on the financial position of the Company.

31 Contingencies, Commitments and Operating Risks (Continued)

Insurance. The Company insures its risks as follows:

- Insurance of civil responsibility for causing damage to the life, health and property of the third parties and environment;
- Property insurance;
- Obligatory insurance of civil responsibility of the vehicle owners;
- Obligatory insurance of civil responsibility of owners of properties, operations of which can cause damage to third parties; and
- Obligatory environmental insurance.

Investment commitments. At 31 December 2012 the Company has contractual capital expenditure commitments in respect of plant, property and equipment totalling Tenge 506,636 thousand (2011: nil).

Compliance with the terms of the loan agreements. The Company has no significant restrictive obligations related to borrowings, failure of which could lead to negative consequences for the Company, including an increase in the cost of borrowings, declaration of default, the requirements of the lending institution for the early repayment of the loans and other negative effects.

Assets pledged and restricted. At 31 December 2012 and at 31 December 2011 the Company has the following assets pledged as collateral:

		Assets pledged	
In thousands of Kazakhstani Tenge	**Note**	**31 December 2012**	**31 December 2012**
Plant, Property and Equipment	8	6,493,271	6,355,055
Investment property	9	76,440	76,644
Total		**6,569,711**	**6,431,649**

At 31 December 2012, plant, property and equipment, intangible assets and investment property in the amount of Tenge 6,569,711 thousand (2011: Tenge 6,431,649 thousand) were pledged to third parties as collateral for loans in the amount of Tenge 2,081,589 thousand (2011: Tenge 2,585,664 thousand)

32 Financial Risk Management

Financial instruments of the Company

Financial instruments presented in the statement of financial position by the individual lines are not divided into groups. Financial instruments included in particular line in the statement of financial position, the Company's management considered similar from the point of view of the associated risks.

The accounting policies for financial instruments applied to the following items:

In thousands of Kazakhstani Tenge	Note	31 December 2012	31 December 2011
Financial assets			
Trade receivables	14	1,007,873	549,299
Cash and cash equivalents	15	786,770	3,062,694
Term deposits with original maturity more than three months	16	678,330	667,800
Finance lease receivables	11	560,579	631,605
Other trade receivables	14	417,987	311,619
Total financial assets		**3,451,539**	**5,223,017**
Financial liabilities			
Borrowings	18	2,081,588	2,789,999
Trade and other payables	20	454,201	885,942
Total financial liabilities		**2,535,789**	**3,675,941**

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company does not use derivative financial instruments to hedge risks.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets potentially leading the Company to credit risk are indicated in the table above. Despite the fact that the collection of receivables could be influenced by economic factors, management believes that there is no substantial risk of loss in excess of the allowance for impairment of receivables.

Cash is placed in financial institutions, which at the time of deposit have minimal risk of default (Note 15). Time deposits have a maturity under the contract less than three months.

Analysis of cash and cash equivalents by credit quality based on the rating Fitch as of 31 December 2012 is disclosed in Note 15.

On 31 December 2012 and 31 December 2011, time deposits with original maturity of more than 3 months worth of Tenge 678,330 thousand and Tenge 667,800 thousand, respectively, were placed in banks with a rating of B-stable.

Credit risk arising from the financial balances of receivables and receivables from finance leases, including analysis of the aging, is disclosed in Note 14, 11.

32 Financial Risk Management (Continued)

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity products, all of which are exposed to general and specific market movements.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk

Export revenues are mainly denominated in US dollars, and the Company's borrowings are partially denominated in US dollars. Foreign currency denominated monetary financial assets and liabilities give rise to foreign exchange exposure.

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2012			At 31 December2011		
In thousands of Kazakhstani Tenge	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
US Dollars	993,777	(141,507)	852,270	2,248,189	(163,859)	2,084,331
Russian Rubles	109,088	(125,094)	(16,006)	169,006	(131,110)	37,896
Euro	168	(141,176)	(141,008)	272	(979,069)	(978,797)
Total	**1,103,033**	**(407,777)**	**695,256**	**2,417,467**	**(1,274,037)**	**1,143,430**

The Company does not have formal arrangements to mitigate foreign exchange risks of the Company's operations.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency, with all other variables held constant:

In thousands of Kazakhstani Tenge	**31 December 2012**	**31 December 2011**
Strengthening US Dollar by 10% (2011: by 10%)	68,182	208,433
Weakening US Dollar by 10% (2011: by 10%)	(68,182)	(208,433)
Strengthening Euro by 10% (2011: by 10%)	(11,281)	(97,880)
Weakening Euro by 10% (2011: by 10%)	11,281	97,880
Strengthening Russian Ruble by 10% (2011: by 10%)	(1,280)	3,790
Weakening Russian Ruble by 10% (2011: by10%)	1,280	(3,790)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Company. Such sensitivity of profit or loss and equity to possible changes in exchange rates can be explained mainly as a result of foreign exchange gain/losses on translation of US Dollar and Euro denominated borrowings.

32 Financial Risk Management (Continued)

Interest rate risk

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company's interest rate risk arises from borrowings and short term bank deposits. There are borrowings that were obtained at floating rates, and thus, exposed the Company to cash flow interest rate risk.

In case of floating interest rate borrowings, the Company is exposed to potential market risk of floating rate on short-term US Dollar denominated Kazkommertsbank JSC borrowings and LIBOR quotas during 2012. At 31 December 2012, if floating rate on short-term US Dollar denominated Kazkommertsbank JSC borrowings had been 1.5 percent higher/lower with all other variables held constant, pre-tax profit for the year would have been Tenge 1,705 thousand lower/higher.

The Company does not have formal policies and procedures in place for management of interest rate risks.

Management of Capital

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern, to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital, as well as maintaining compliance with the listing requirements of the official List of Kazakhstan Stock Exchange JSC.

The Company monitors capital on the basis of the gearing ratio. The Company's strategy is to achieve the optimal gearing ratio. This ratio is calculated as net debt divided by total capital under management. Net debt is calculated as total borrowings (including "trade payables ", as reflected in Note 20) less cash and cash equivalents. Total capital is defined as "equity" as shown in the statement of financial position plus net debt.

On 12 August 1998 the Company's ordinary shares were listed on stock exchanges in B category, from 10 September 2008 they were transferred to the third category of this list.

On 9 November 2009 due to the unification of the main trading platform of the Regional Financial Centre of Almaty, the joint list of securities in which the common shares of the Company were included in the third category came intor force.

On 2 June 2010 the Company received opinion on the possibility of ordinary share transfer from the third to the second category of the official exchange list. Thus, in order to meet the listing requirements for the second category, the Company monitors capital on the basis of the ratio between equity and charter capital. In this case, equity may not be less than the charter capital, and shall be equivalent to at least one hundred seventy one thousand times the month calculation index according to the financial statements of the last date confirmed by the auditor's report.

32 Financial Risk Management (Continued)

Liquidity risk

The table below shows financial liabilities at 31 December 2012 by their remaining contractual maturity:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Borrowings including interest	182,895	98,106	1,055,666	832,500	-	2,169,167
Trade payables	432,804	20,903	-	-	-	453,707
Other payables	494	-	-	-	-	494
Total future payments, including future principal and interest payments	**616,193**	**119,009**	**1,055,666**	**832,500**	**-**	**2,623,369**

The table below shows financial liabilities at 31 December 2011 by their remaining contractual maturity:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities	519,380	1,049,552	348,513	1,250,829	-	3,168,274
Borrowings including interest	879,262	-	-	-	-	879,262
Trade payables	6,680	-	-	-	-	6,680
Total future payments, including future principal and interest payments	**1,405,322**	**1,049,552**	**348,513**	**1,250,829**	**-**	**4,054,217**

33 Fair Value of Financial Instruments

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

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

33 Fair Value of Financial Instruments (Continued)

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

The carrying amount of financial assets approximates its fair value due to its liquidity (Note 11, 14, 15 and 16).

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The carrying amount of financial liabilities approximates its fair value due to its liquidity (Note 18, 20).

34 Significant Non-Cash Activities

In 2012 and 2011, within the operating activities, the Company made offsets between the finance lease receivables, operating leases receivables and trade payables for purchase of goods and raw materials from the related parties amounted to Tenge 192,619 thousand and Tenge 363,015 thousand, respectively.

In 2012, within operating activities, the Company transferred the liability (trade payables), in front of NC Food Corporation JSC to Hlebtorg LLP amounted to Tenge 279,800 thousand by offsetting trade receivables.

35 Events After the Reporting Period

In January 2013 the Company opened a new credit line at BTA Bank JSC for the total amount of Tenge 3,597,975 thousand. The purpose of the borrowings is refinancing (repayment) of loans at Kazkommertsbank JSC, as well as increase in working capital and acquisition of property, plant and equipment. The loan was taken at a fixed nominal interest rate of 11 percent. Principal and interest are to be paid in semi-annual installments or at the end of funding depending on the accessory contracts. The credit line is open until 10 January 2019. The loan was secured by an investment property, property, plant and equipment and deposits of the Company and its related parties.

On 24 May 2013, the Company received borrowings from the BTA Bank JSC and an early repaid the borrowings from Kazkommertsbank JSC in the amount of Tenge 2,263,270 thousand and Tenge 1,844,506 thousand, respectively. The Company maintained government subsidies for reimbursement of interest expenses on borrowings provided by Entrepreneurship Development Fund Damu JSC.

In May 2013 the Company and the Credit Partnership Dostyk Finance LLP have reached an agreement to terminate the finance lease contract #166 dated 14 March 2011. Subsequently, the Company entered into an agreement to sell the leased property to Credit Partnership Dostyk Finance LLP.