

KazStroyService Global B.V.

Financial Statements

*12 months period ended December 31, 2012
with Independent Auditor's Report*

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DIRECTORS' REPORT

DIRECTORS' REPORT

The Management herewith presents the consolidated and separate financial statements of KSS Global B.V. for the financial period ended December 31, 2012.

General

KSS Global B.V. ("the Company") was incorporated on February 13, 2009 by KazStroyService Infrastructure B.V. and Kazstroyservice Holding B.V. (currently known as AT Holdings Europe B.V.), the Netherlands.

As of December 31, 2012, the Company's main shareholders are Kazstroyservice Infrastructure B.V., AT Holdings Europe B.V. and Frasel Investments SARL.

Detailed information on the Company and its subsidiaries ("the Group") and a Restructuring of 2012 are presented further.

Overview of activities and results

The Group is a leading player in providing project management, engineering, procurement and construction services for oil and gas, industrial plant and infrastructure sectors. KSS geographical presence includes Kazakhstan, India, Middle East, Turkmenistan, Singapore, UK, Hungary and the Netherlands. KSS possesses integrated technical capital and recognized expertise in providing end-to-end solutions in all industry segments, where it operates.

The Group possesses a world class engineering, project management and execution expertise along with large fleet of modern construction equipment. These unique capabilities and competence coupled with our history of successful delivery of projects and sustained presence in Kazakhstan and Indian market makes us a contractor of choice in these markets. The Group also enjoys a strong position in specialized fabrication services and Operations & Maintenance services through with Keppel Kazakhstan LLP and PSN Kazstroy JSC associates.

Market Conditions/Operating Environment

The Group has derived most of its revenue from Kazakhstan and India, which are amongst the fastest growing economies in the world. Kazakhstan economy has been relatively insulated from the impact of the worsening economic outlook across the world as growth has not deteriorated in 2012 and the Kazakhstan economy has continued to benefit from high global oil prices and growth in oil output. Indian economy also has continued to grow in the year 2012, though at a moderate pace against the backdrop of weakening global economy, twin deficits and high inflation rate. Due to high interest rate prevalent in India as a measure to control inflation, the private investment and industrial capital expenditure has come down which has affected the industrial construction segment in India. However, government has continued to spend to develop the infrastructure in the country spurring demand for construction services in 2012 and construction market segment in India remained buoyant throughout 2012 on account of expenditure by Government.

Further, there is an increased investment in oil and gas sector as oil prices remained high throughout 2012 driven by increased level of consumption by Asian and emerging economies and by social and political tension in a number of oil producing nations. This led to renewed interest in many new investments, and revival and award of many old projects as the oil price bounced back to above USD 100/Barrel level. Further, there is an increased expenditure by governments of Kazakhstan as well as India to develop the infrastructure segment and large numbers of projects have been awarded by both government and private segment in infrastructure and Industrial plant segments.

DIRECTORS' REPORT

DIRECTOR'S REPORT (continued)**Human Resources**

The Group employed a work force about 17,000 employees, which are working on projects across multiple continents. This number includes temporary workers, full time employees, but excludes subcontractors. There were various initiatives including training programs undertaken for skill development and to improve employee's productivity.

The Group is aware of the need for a balanced distribution of men and women in accordance with article 2:276 section 2 of the Dutch Civil Code. The appointment of directors has historically been made to represent the interest of shareholders and as happened those shareholders have always appointed male board members. In the future, where possible, when directorships are in need of being replaced, the Group will encourage its shareholders to appoint female board members so as to provide a more balanced distribution.

Health Safety and Environment (HSE)

The Group has implemented HSE guidelines to ensure the health and safety of employees, contractors, clients and local communities and the safeguarding of the environment in accordance with the international best practices and in compliance with local and international rules and regulations. The Group in its pursuit of excellence continued to drive its focus to improve performance on Health, Safety and Environment. In 2012, the Group organized several HSE training courses with the aim of driving awareness about Health and Safety and promoting a culture of health and safety. These training programs were run across project sites encompassing all employees as well as our subcontractors. The KSS Group Safety performance in 2012 was satisfactory and in line with targets set.

Group Restructuring

The Group has continued its restructuring program to further consolidate the Group's India Operations and create a structure which is regulatory compliant, tax efficient and provides greater operational synergy and financial flexibility.

As at February 15, 2013, 25% of shares in OGCC KazStroyService JSC were transferred at cost to KazStroyService Hungary Kft (KSS Hungary).

As at February 2013, within the Group restructuring exercise ("Group Restructuring"), the Honorable Bombay High Court has approved the Scheme of Amalgamation of Petron Civil Engineering Private Limited, Petron Investments Private Limited, Amritha Sharanya Leasing and Investments Private Limited and SRA Finance and Investments Private Limited with KazStroyService Infrastructure India Private Limited and their respective shareholders and creditors, and hence creating a consolidated India operation for all of its unlisted activity in EPC and construction segments.

The Court approval has been filed with Registrar of Companies in India on March 28, 2013.

On March 29, 2013 the shareholders of OGCC KazStroyService JSC have resolved to transfer its 100% subsidiary KSSIPL (30,618,500 shares of INR 10 each) in favour of KSS Hungary as gift deed.

Financial position and results

The result posted by KSS Group for 2012 signifies its dominant position in the Kazakhstan and Indian market despite global, slowdown and looming European debt crisis. Consolidated revenue of the Group stood at USD 924,155 thousand for 2012 while Profit after Tax for the Group is USD 122,787 thousand. The revenue from Kazakhstan attributed to around 52% of the gross revenue, while Indian subsidiaries contributed to around 48% to the overall Group Revenue. Capital Expenditure for the group stood at around USD 40,203 thousand.

DIRECTORS' REPORT

Future Outlook

Having survived the volatile economic environment which has persisted since 2008, the Group is geared for growth in the coming year as it has evolved from a mere pipeline construction company to a major EPC player. Overall investments in the oil and gas industry as well as infrastructure and industrial segment in both Kazakhstan and India are predicted to increase though there are uncertainties with regards to global economic scenario which may have an impact over timeframe of approval of planned investments and award of new contracts. Market prospects are expected to be better than previous year as Kazakh economy continues to perform well and there is consistent push by the Indian government on infrastructure front. KSS Group with its large fleet of modern construction equipment along with established track record is well-positioned to take full advantage of new opportunities in the segments it operates.

The Group has been awarded a total of over 598 million USD worth of new orders for the year 2013.

Risk management

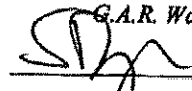
KSS Group maintains an adequate system of risk management based on risk identification, assessment and mitigation and control measures. The risk management process is an integral part of management model and used to ensure the effectiveness and efficiency of group business processes. For details please see the paragraph on Financial Risk Management in the notes (Note 44) to the consolidated financial statements.

Director



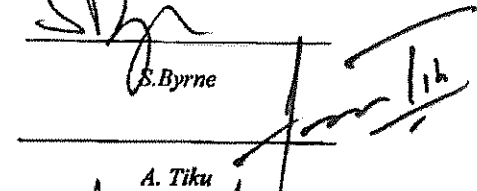
G.A.R. Warris

Director



S. Byrne

Director



A. Tiku

Director



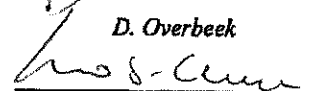
A. Balakrishnan

Director



D. Overbeek

Director



P. Oosthoek

CONSOLIDATED INCOME STATEMENT
For the 12 month period, ended December 31, 2012

<i>In thousands of USD</i>	Note	2012	2011
Revenue	4	924,155	1,026,623
Cost of revenue	5	(751,670)	(909,130)
Gross profit		172,485	117,493
General and administrative expenses	6	(50,383)	(85,980)
Loss on disposal of property, plant and equipment		(84)	(481)
Impairment (losses) / reversals, net	8	(6,603)	(4)
Bad debts Provision	8	(3,341)	(2,338)
Other income	9	1,849	3,517
Other expenses	9	(1,966)	(558)
Operating profit		111,957	31,649
Share of profit of associates	14	5,416	19,525
Finance income	7	85,508	14,032
Finance cost	7	(63,830)	(189,320)
Foreign exchange gain, net		1,467	3,805
Profit/(Loss) before income tax expense		140,518	(120,309)
Income tax expenses	11	(17,731)	(24,555)
Profit/ (Loss) for the year		122,787	(144,864)
Attributable to:			
Shareholders of the parents:		122,349	(147,538)
Non-controlling interests of subsidiaries		438	2,674
Weighted average number of ordinary shares for basic earnings per share		2,000,000	1,916,667
Earnings per share		0,06	(0,08)
Basic and diluted earnings per share			

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director

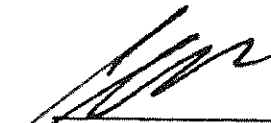
Director

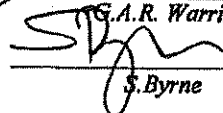
Director

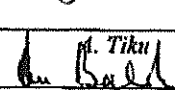
Director


Director

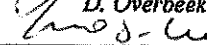
Director



G.A.R. Warris


J. Byrne


A. Tiku


A. Balakrishnan


D. Overbeek


P. Oosthoek

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 12 month period, ended December 31, 2012

<i>In thousands of USD</i>	2012	2011
Profit/ (Loss) for the year	122,787	(144,864)
Other comprehensive income / (loss)		
Exchange difference on translation of foreign operations	(5,305)	(14,111)
Income tax effect	(1,768)	(4,703)
	(7,073)	(18,814)
Revaluation of machinery and equipment	39,906	-
Income tax effect	(8,891)	-
Share of other comprehensive income of associates (gain on revaluation of plant and equipment)	1,197	-
	32,212	-
Other comprehensive income / (loss) for the year, net of tax	25,139	(18,814)
Total comprehensive income for the year, net of tax	147,926	(163,678)
Attributable to:		
Attributable to share holder of the parent	147,787	(164,930)
Non-controlling interest of the subsidiaries	438	2,674
Translation difference to non-controlling interest of subsidiaries	(299)	(1,422)
	147,926	(163,678)

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Director


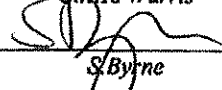
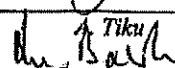
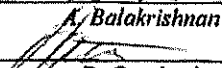
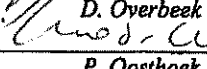

Director

Director

Director

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

<i>In thousands of USD</i>	Note	2012	2011
ASSETS			
Non-current assets:			
Property, plant and equipment	12	202,899	193,888
Intangible assets	13	29,595	10,962
Investments	14	81,806	85,366
Prepayment for equipment		62	4,816
Other non-current assets	16	38,716	8,871
Deferred tax assets	11	4,784	1,839
Long-term bank deposits	17	1,454	1,564
		359,316	307,306
Current assets:			
Inventories	18	54,132	57,414
Accounts receivable	19	199,169	235,559
Unbilled revenue		395,601	344,462
Advances paid	20	53,000	48,145
Prepaid income tax		18,237	15,245
Prepaid taxes other than income tax	21	12,661	18,982
Loans to related parties	24	-	1,308
Other current assets	22	6,125	14,954
Financial assets at fair value through profit and loss	23	535,000	485,000
Short-term deposits	25	27,060	18,291
Restricted cash	26	791	1,064
Cash and cash equivalents	26	37,633	19,627
		1,339,409	1,260,051
Total assets		1,698,725	1,567,357

Director


Director

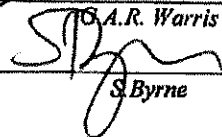
Director

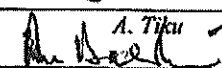
Director


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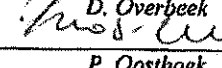
Director

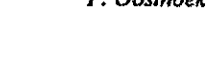

A.R. Warris


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P. Oosthoek

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at December 31, 2012

<i>In thousands of USD</i>	Note	2012	2011
EQUITY AND LIABILITIES			
Equity:			
Share capital	27	26	26
Share premium	27	28,686	28,686
Retained earnings		679,819	553,098
Revaluation reserve		27,840	-
Translation difference	27	(37,866)	(31,092)
Equity attributable to shareholder of parent		698,505	550,718
Non-controlling interest	27	13,761	13,637
		712,266	564,355
Non-current liabilities:			
Interest bearing loans and borrowings	28	259,465	31,562
Bonds payable	30	74,898	-
Finance lease payable	31	2,415	4,415
Other non-current liabilities	32	65,443	65,821
Employee benefits liability	33	1,927	2,296
Deferred tax liabilities	11	19,286	15,949
		423,434	120,043
Current liabilities:			
Interest bearing loans and borrowings	28	155,888	459,496
Current portion of notes payable	29	4,943	8,083
Current portion of finance lease payable	31	1,986	2,042
Current portion of bonds payable	30	2,767	-
Loans from other entities	34	116	124
Trade accounts payable	35	154,905	166,971
Advances from customers	36	164,310	166,684
Deferred revenue	37	6,321	15,414
Current income tax payable		4,904	1,736
Taxes payable other than income tax	38	30,011	22,715
Current portion of employee benefits liability	33	302	231
Other current liabilities	39	36,572	39,463
		563,025	882,959
Total equity and liabilities		1,698,725	1,567,357

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director


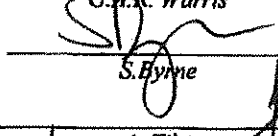


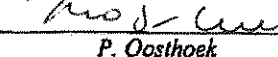

Director

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Director


 G.A.R. Warris

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 D. Overbeek

 P. Oosthoek

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 12 month period, ended December 31, 2012

<i>In thousands of USD</i>	Notes	Share Capital	Share premium	Retained Earnings	Translation difference	Reserves	Attributable to shareholders of the parent	Share of non-controlled shareholders for subsidiaries	Total equity
At December 31, 2010		23	28,686	711,677	(13,700)	-	726,686	9,319	736,005
(Loss) /Profit for the year		-	-	(147,538)	-	-	(147,538)	2,674	(144,864)
Other comprehensive loss		-	-	-	(17,392)	-	(17,392)	(1,422)	(18,814)
Total comprehensive (loss)/ income		-	-	(147,538)	(17,392)	-	(164,930)	1,252	(163,678)
Acquisition of subsidiary	27	-	-	-	-	-	-	4,969	4,969
Effect of shares contribution	27	3	-	(96)	-	-	(93)	-	(93)
Purchase of additional shares in Petron Engineering Construction Limited	27	-	-	(10,945)	-	-	(10,945)	(1,678)	(12,623)
Dividends of subsidiaries paid to non-controlling shareholders		-	-	-	-	-	-	(225)	(225)
At December 31, 2011		26	28,686	553,098	(31,092)	-	550,718	13,637	564,355
(Loss) /Profit for the year		-	-	122,349	-	-	122,349	438	122,787
Revaluation reserve		-	-	-	-	31,015	31,015	-	31,015
Share of other comprehensive income of associate		-	-	-	-	1,197	1,197	-	1,194
Other comprehensive loss		-	-	-	(6,774)	-	(6,774)	(299)	(7,073)
Total comprehensive (loss)/ income		-	-	122,349	(6,774)	32,212	147,787	139	147,926
Contribution in cash		-	-	-	-	-	-	75	75
Depreciation transfer for Plant and equipment		-	-	4,372	-	(4,372)	-	-	-
Dividends of subsidiaries paid to non-controlling shareholders		-	-	-	-	-	-	(90)	(90)
At December 31, 2012		26	28,686	679,819	(37,866)	27,840	698,505	13,761	712,266

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director

Director

Director

Director

Director


Director


 S.A.R. Warris


 S. Byrne


 A. Tiku


 A. Balakrishnan


 D. Overbeek


 P. Oosthoek

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 12 month period, ended December 31, 2012

<i>In thousands of USD</i>	Notes	2012	2011
Cash flows from operating activities:			
(Loss)/ Profit before income tax expense		140,518	(120,309)
Adjustments for:			
Depreciation and amortization	12,13	38,586	37,125
Loss on disposal of property, plant and equipment		84	481
Amortization of discount of loans to related parties		-	(576)
Amortization of discount of bonds payable		61	10
Impairment losses	8	9,944	2,342
Interest expenses	7	43,144	48,467
Financial guarantees		(13)	-
Interest income	7	(748)	(1,307)
Changes in provision on warranty works		(919)	(14,888)
Changes in provision on employee benefits	33	4	11
Amortization of discount on other financial assets and liabilities		878	(1,306)
Income from dividends		(15,000)	-
Change in fair value of financial instruments	23	(50,000)	130,000
Profit in participation in joint ventures	14	(5,416)	(19,525)
Provision for constructive obligation	39	1,988	5,815
Accrued future losses		1,153	875
Unrealized foreign exchange gain net		(5,404)	2,826
Operating cash flows before working capital changes		158,860	70,041
(Increase) / decrease in operating assets:			
Inventories		1,816	(13,374)
Accounts receivable		29,885	(41,639)
Prepaid taxes other than income tax		5,996	(4,887)
Advances paid		(5,472)	(24,660)
Unbilled revenues		(58,219)	(152,521)
Restricted cash		252	(1,065)
Other current assets		8,379	4,866
Other non-current assets		(31,762)	(1,737)
(Increase) / decrease in operating liabilities:			
Trade accounts payable		(6,072)	81,288
Advances from customers		3,670	(67,589)
Deferred revenue		(8,881)	(4,821)
Taxes payable other than income tax		7,876	15,693
Employee benefits liability		(470)	25
Other current liabilities		(5,671)	(2,055)
Other non-current liabilities		(1,184)	(9,979)
Cash (used in) / generated from operating activities		99,003	(152,414)

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director

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Director



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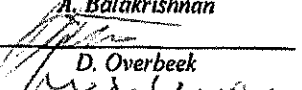
S. Byrne



A. Tiku



A. Balakrishnan



D. Overbeek



P. Oosthoek

ERNST & YOUNG Accountants LLP
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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the 12 month period, ended December 31, 2012

<i>In thousands of USD</i>	Notes	2012	2011
Income tax paid		(25,156)	(24,807)
Dividends received		23,911	-
Foreign tax paid		(248)	(257)
Interest paid		(41,045)	(20,168)
Net cash (used in) / provided by operating activities		56,465	(197,646)
Cash flows from investing activities:			
Purchase of property plant and equipment	12	(17,824)	(43,396)
Prepayment for future investment	16	-	(7,033)
Payment for investment in other companies		(1)	(12,826)
Purchase of intangible assets	13	(20,518)	(11,680)
Proceeds from the sale of property plant and equipment		2,428	9,835
Proceeds from interest on short-term deposit		994	940
Repayment / (investment) in deposits (net)		(8,816)	(7,101)
Net cash used in investing activities		(43,737)	(71,261)
Cash flows from financing activities:			
Proceeds from issuing shares	27	75	5,763
Dividend paid to non-controlling interest of subsidiaries	27	(90)	(225)
Repayment of interest bearing loans and borrowings		(702,257)	(384,541)
Proceeds from interest bearing loans and borrowings		636,192	578,156
Bonds issue		95,693	-
Payment of notes		(2,988)	-
Repayment of bonds payable		(20,119)	(20,461)
Issue of notes		-	3,280
Loans provided to related parties	24	-	(995)
Loans repaid by related parties	24	1,301	4,631
Repayment of finance lease (excluding interest)		(1,953)	(2,762)
Net cash provided by / (used in) financing activities		5,854	182,846
Net change in cash and cash equivalents		18,582	(86,061)
Effect of foreign exchange difference		(576)	(1,390)
Cash and cash equivalents at the beginning of the period	26	19,627	107,078
Cash and cash equivalents at the end of the period	26	37,633	19,627

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director


Director

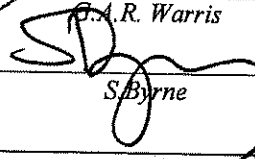
Director

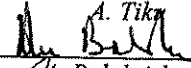
Director

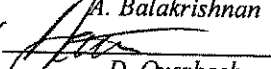
Director

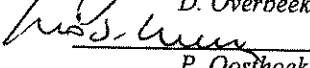
Director

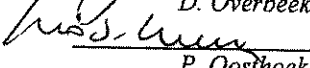

P.A.R. Warris


S. Byrne


A. Tika


A. Balakrishnan


D. Overbeek


P. Oosthoek

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the 12 month period, ended December 31, 2012

2012 non-cash transactions include:

- non-cash offset of taxes of KSS KZ amounting to USD 1,595 thousand.

2011 non-cash transactions include:

- non-cash additions to property, plant and equipment amounted to USD 7,117 thousand and comprised equipment received under sale and leaseback transaction (Note 31).
- non-cash restructuring of Claremont's loan granted to the Group of USD 24,000 thousand (Note 28).

The notes on pages 14 through 71 are an integral part of these consolidated financial statements.

Director

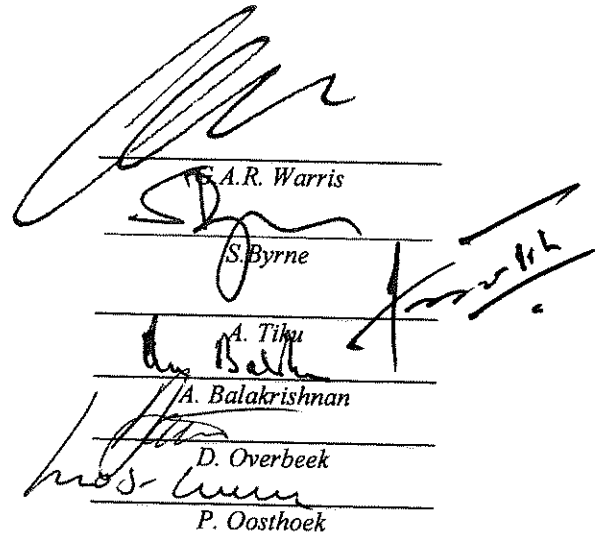
Director

Director

Director

Director

Director



_____ S.A.R. Warris

_____ S. Byrne

_____ A. Tiku

_____ A. Balakrishnan

_____ D. Overbeek

_____ P. Oosthoek

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. GENERAL

KazStroyService Global B.V. (hereinafter referred as "the Company", "the Parent") was incorporated as a limited liability company organized under the laws of the Netherlands on February 13, 2009.

As at December 31, 2012, the major owners and the ultimate parents of the Company are KazStroyService Infrastructure B.V., a company incorporated under the Law of Netherlands with registered office at Strawinskylaan 411, 1077XX Amsterdam, the Netherlands, Fraseli Investments Sarl, a company incorporated under the Law of Luxembourg with registered office at 65 Boulevard, Gr. Duchesse Charlotte, 1331 Luxembourg, and AT Holdings Europe B.V., a company incorporated under the Law of Netherlands with registered office at Strawinskylaan 411, 1077XX Amsterdam, the Netherlands.

The Group's principal activity is to undertake and execute engineering, procurement and construction projects through its operating subsidiaries in Kazakhstan and India.

As at December 31, 2012, the Company has sixteen subsidiaries subject to consolidation and several associates subject to equity method accounting (hereinafter referred as the "Group").

The Group's registered office is located at Strawinskylaan 411, 1077XX Amsterdam, and the Netherlands.

These consolidated financial statements ("the Consolidated Financial Statements") were authorized for issue by Board of Directors of the Group on April 11, 2013.

Operating environment

Operating subsidiaries of the Group are located in Kazakhstan and India.

Kazakhstan continues to expand at robust pace and economic reforms and development of legal, tax and regulatory frameworks as required by a market economy are changing to keep up with the pace in economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis of recent years has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan, while the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstan banks and companies.

India's economy continues to expand at a robust pace. Currently, high inflation and ensuing monetary tightening affect investment spending and industrial growth. However, India remains relatively well-placed according to a long-term fundamental point of view. Domestic demand serves as the Indian economy's primary driver and helps insulate it from the effect of global developments. High foreign exchange reserves and low external debt provide further cushioning to deal with the global downturns. Strong domestic consumption and investment helps bolster the economy now and in the future.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. GENERAL (continued)**Group structure**

As at December 31, 2012 the Group's subsidiaries comprised of the following:

<i>Name</i>	<i>Place of incorporation</i>	<i>Ownership</i>	<i>Ownership</i>
		<i>(effective)</i> 2012	<i>(effective)</i> 2011
JSC OGCC "KazStroyService", (KSS KZ)	Kazakhstan	100%	100%
Engineering Procurement Services LLP., (EPS)	Kazakhstan	100%	100%
KazStroyService Global Engineering B.V., (KSS Global Eng)	Netherlands	100%	100%
KazStroyService Ltd., (KSS Ltd)	UK	100%	100%
KazStroyService Engineering Ltd., (KSS Engineering UK)	UK	100%	100%
KazStroyService Management Pte., (KSS Management)	Singapore	100%	100%
KazStroyService Investment Pte. Ltd., (KSS Investment)	Singapore	100%	100%
KazStroy Service Hungary Kft, (KSS Hungary)	Hungary	100%	100%
Petron Civil Engineering Pvt Ltd., (PCEPL)	India	100%	100%
KazStroyService Infrastructure India Pvt Ltd.	India	100%	100%
AmrithaSharanya Leasing & Investments Pvt Ltd., (Amritha)	India	100%	100%
Petron Investments Pvt Ltd., (PIPL)	India	100%	100%
SRA Finance and Investments Pvt Ltd., (SRA)	India	100%	100%
KazStroyService Engineering India Private Limited, (KEIPL)	India	100%	100%
Bhubaneswar Expressways Private Limited, (BEPL)	India	74%	74%
Petron Engineering Construction Limited, (PECL)	India	72,47%	72,47%

As at December 31, 2012 the Group's associates comprised of the following:

<i>Name of entity</i>	<i>Place of incorporation</i>	<i>Ownership</i>	<i>Ownership</i>
		<i>(effective)</i> 2011	<i>(effective)</i> 2011
JSC PSN Kazstroy JVC ("PSN KazStroy")	Kazakhstan	50%	50%
Keppel Kazakhstan LLP ("Keppel")	Kazakhstan	50%	50%
ISKER KazStroyService LLP, (ISKER)	Kazakhstan	50%	50%
Pipeline Service LLP	Kazakhstan	50%	N/A

Pipeline Service LLP was established in 2012 and had no material operations as of December 31, 2012.

For the Parent, its subsidiaries and associates the financial year are identical to calendar year.

Restriction on dividends

Certain restrictions exist for the ability of subsidiaries to transfer funds to the parent in the form of cash dividends. In Kazakhstan the amount of dividends to be transferred should not exceed the owner's equity. In India, the companies have to transfer predetermined percentage of profits (not exceeding ten percent) to reserves before declaring dividend.

In addition, the Directors of the Group must give their consent prior to the execution of a decision of the Annual General Meeting of Shareholders to distribute profit or reserves.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and the satisfaction of liabilities in the normal course of business. The management believes that no events or circumstances affect the normal business course of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. The Group maintains its accounting records in US Dollar ("USD"). All values in these consolidated financial statements are rounded to the nearest thousands, except when otherwise indicated.

Statement of compliance

These Consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed (*Notes 19, 20, 21, 23*).

Common control combinations

A business combination is a "common control combination" if the combining entities are ultimately controlled by the same parties both before and after the combination, and the common control is not transitory. Business combinations involving entities under common control are outside the scope of IFRS 3 and there is no specific guidance. Accordingly, the management should use its judgment to develop an accounting policy that is relevant and reliable, in accordance with IAS 8.10-12. In the view of the Management, the relevant and reliable accounting policy for common control transactions within the Group is a pooling of interests-type method.

Consolidation method for common control combinations

Subsidiaries are consolidated under a pooling of interest-type method:

- The assets and liabilities of the subsidiaries are recorded at book value, with related adjustments to achieve uniform accounting policies,
- Intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the subsidiary in accordance with the applicable IFRS (in particular IAS 38),
- No goodwill is recorded. The difference between the Company's cost of investment and the subsidiary's equity is presented separately in equity on consolidation (reserve),
- Any non-controlling interest is measured as proportionate share of the book values of the related assets and liabilities and adjusted to achieve uniform accounting policies,
- Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Inter-company transactions, balances and unrealized gains on transactions between subsidiaries are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)**Consolidation outside of the Group**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- Derecognizes the carrying amount of any non-controlling interest,
- Derecognizes the cumulative translation differences, recorded in equity,
- Recognizes the fair value of the consideration received,
- Recognizes the fair value of any investment retained,
- Recognizes any surplus or deficit in profit or loss,
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate,

Investment in associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of an associate is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore profit after.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit of associates' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the statement of comprehensive income.

Foreign currency translation**Functional and presentation currency**

The Group's consolidated financial statements are presented in USD ("presentation currency"), which is also the Parent company's functional currency. Each entity in the Group in turn has its own functional currency, which could be different from Group presentation currency. The results and financial position of these Group entities are translated into presentation currency of the Group as per below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)*Transactions and balances*

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Any exchange gains and losses arising from assets and liabilities denominated in foreign currencies subsequent to the date of the underlying transaction are credited or charged to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Subsidiaries

The results and financial position of the Group's subsidiaries (which do not have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognized as a separate component of other comprehensive income or loss in the equity.

Exchange rates

The following official foreign exchange rates against the USD have been used in the preparation of these consolidated financial statements:

	December 31, 2012	Average for 2012	December 31, 2011	Average 2011
Kazakh Tenge (KZT)	150.74	149.11	148.4	146.62
Euro (EUR)	0.7567	0.7778	0.7740	0.7183
Russian Ruble (RUR)	30.39	31.07	32.19	29.68
Indian Rupee (INR)	54.78	53.49	53.27	46.67
Hungarian forint (HUF)	220.93	225.37	240.68	200.46

Changes in accounting policy and disclosures*Changes in accounting policy**IAS 16 Property, Plant and equipment*

The Group reassessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using the cost model as set out in IAS 16.30, whereby after initial recognition of the assets classified as property, plant and equipment, were carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2012 the Group elected to change the method of accounting for plant and equipment classified in property, plant and equipment. After initial recognition, the Group uses the revaluation model, whereby plant and equipment will be measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)*Changes in accounting policy (continued)**IAS 16 Property, Plant and equipment (continued)*

The Group applied the exemption in IAS 8, which exempts this change in accounting policy from retrospective application and extensive disclosure requirements.

Standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective.

- *IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*², effective 1 January 2013
- *IFRS 9 Financial Instruments*², effective 1 January 2015
- *IFRS 10 Consolidated Financial Statements*², effective 1 January 2013
- *IFRS 11 Joint Arrangements*², effective 1 January 2013
- *IFRS 12 Disclosure of Interests in Other Entities*², effective 1 January 2013
- *IFRS 13 Fair Value Measurement*², effective 1 January 2013
- *IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*, effective 1 July 2012
- *IAS 12 Income Taxes – Recovery of Tax Assets*
- *IAS 19 Employee Benefits (amended)*, effective 1 January 2013
- *IAS 27 Separate Financial Statements*², effective 1 January 2013
- *IAS 28 Investments in Associates and Joint Ventures*², effective 1 January 2013
- *IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities*², effective 1 January 2014
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*², effective 1 January 2013
- *Annual Improvements to IFRS (Issued May 2012)*², effective 1 January 2013

IFRS 7 Financial Instruments: — Disclosures- Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred, but not derecognized, to enable the user of the Group's financial statements to understand the relationship with those assets that have been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable user to evaluate the nature of, and risk associated with, such involvement. The amendment becomes effective for financial years beginning on or after 1 January 2013 and interim periods within those financial years. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)*IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012, but has no effect on the equity's performance and Group's financial position because the Group does not have non-depreciable assets that are measured using revaluation model in IAS 1.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the amendments. The revised standard will have no impact on the Group's financial position and performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. [The revised standard will have no impact on the Group's financial position and performance.] The revised standard becomes effective for financial years beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard will have no impact on the Group's financial position and performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial liabilities:

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The aim is to provide users of financial statements with information about the effect of such rights and arrangements on the entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with IAS 32. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs' work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairment of financial assets and hedge accounting. The completion of this project is expected in 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The standard is effective for financial years beginning on or after 1 January 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 consolidated and separate financial statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in sic-12 consolidation - special purpose entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required but have no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in Production Phase of a Surface Mining.

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Improvements to IFRSs (Issued May 2012)

In May 2012, the IASB issued the 2009-2011 cycle improvements to its standards and interpretations, primarily with a view to removing inconsistencies and clarifying wording. These improvements will not have an impact on the Group, but include:

- IAS 1 Presentation of Financial Statements: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.
- IAS 16 Property, Plant and Equipment: Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 Financial Instruments: Presentation: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12.
- IAS 34 Interim Financial Reporting: Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)**Significant accounting judgments and estimates**

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of items of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

Impairment of non-financial assets (continued)

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of impairment. Impairment is based on a large number of factors, such as changes in restructuring process, expectations of growth in the industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and, also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment. During 2012, the Group recognized impairment of property plant and equipment amounting to USD 227 thousand (2011: USD 4 thousand)(Note 12).

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

2. BASIS OF PREPARATION (continued)**Significant accounting judgments and estimates (continued)***Deferred tax assets*

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Employee benefits

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the other employee benefits obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Kazakhstan and India. The mortality rate is based on publicly available mortality tables for Kazakhstan and India (Note 33).

Future salary increases and pension increases are based on expected future inflation rates for Kazakhstan and India.

Fair value of financial instruments

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

Warranties

Under provisions of construction contracts, the Group is obligated to rectify construction defects identified by a customer subsequent to construction acceptance. Such warranties generally extend for a maximum period of two years after completion of the project. To ensure the performance under the warranties a payment of generally 5% of the contract value is secured via bank guarantee through and until the conclusion of the warranty period. Based on an analysis of completed contracts, where the warranty period has not yet expired, management assesses the probability of outflow of resources in connection with the fulfilment of warranty obligations. As at December 31, 2012 the Group accrued warranty provision of USD 5,646 thousand (2011: USD 7,371 thousand) (Note 32, 39). The Group also mitigates the risk of incurring significant losses due to rectifying defects by insuring its potential liabilities.

Revenue recognition

The Group recognizes revenues according to percentage of completion of individual contract of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is, also, estimated by management.

Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, an impairment loss may arise. Summary of information for uncompleted construction contract is disclosed in Note 40. Management believes that in their knowledge all estimates regarding construction contracts are adequate and full.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Business combinations and goodwill**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Government grants

Government grants are recognised where reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relates to an exist expense item, it will be recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Property, plant and equipment

The Company has changed its accounting policy for plant and equipment from cost model to revaluation model from January 1, 2012.

Therefore property, plant and equipment except plant and equipment is carried at cost, which comprises its purchase price and any costs directly attributable to bringing it into working condition and ready for its intended use, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in the consolidated statement of comprehensive income as incurred.

Plant and equipment is carried at fair value at the date of revaluation less any subsequent accumulated depreciation and less impairment losses recognized at the date of revaluation.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the as set revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment (continued)**

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives set out in the following table:

	Number of years
Buildings and construction	10 to 50
• Buildings	50
• Trailers	10
Plant and equipment	5 to 20
• Construction devises	5-7
• Tractors and excavators	7-9
• Pipe-layers	12
• Electrical equipment (generators etc.)	20
Vehicles	7-15
• Cars	7-12
• Buses	9-10
• Trucks	10-15
Others	2-7

The useful lives and residual values of property, plant and equipment are reviewed annually and, where applicable, adjustments are made on a prospective basis. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amounts of the carrying values of property, plant and equipment and on depreciation expenses recognized in statement of comprehensive income. At January 1, 2012 the Company reassessed the remaining useful lives of certain property, plant and equipment within ranges disclosed above.

The property, plant and equipment purchased or/and manufactured for the use on a particular project and to be transferred to the customer, or to be disposed after the project completion, are depreciated over the duration of the project.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

Land is measured at historical cost less any impairment losses. Land is not depreciated.

Construction-in-progress

Assets in the course of construction are capitalized as a consolidated component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction-in-progress is not depreciated.

Borrowing costs

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Concession intangible and financial assets*

The Group constructs infrastructure (construction services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements include infrastructure used in a public-to-private service concession arrangement for its entire useful life. These arrangements are accounted for based on the nature of the consideration. The intangible asset model is used to the extent that the Group receives a right (a license) to charge users of the public service. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component.

- An intangible asset is measured at the fair value of consideration transferred to acquire the asset, which is the fair value of the consideration received or receivable for the construction services delivered. The intangible asset is amortised over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the entity, starting from the date when the right to operate starts to be used (for example, in a toll road concession the Group uses the number of cars that use the road). Based on these principles, the intangible asset is amortised in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.
- In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset.

Intangible assets

Intangible assets include computer software and service concession related rights in accordance with IFRIC 12. Intangible assets are recorded at cost, less accumulated amortization. Computer software is amortized on a straight-line basis over a period of five years. Service concession rights related to IFRIC 12 are amortized on a straight-line over the operation period. Amortization is recorded within general and administrative expenses in the consolidated statement of comprehensive income in the period to which it relates. Intangible assets are measured at costs less accumulated depreciation and less accumulated impairment.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is assigned by using the first-in first-out (FIFO) cost formula. The cost of work-in-progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity).

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (if any) and the estimated costs necessary to make the sale.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets****Initial recognition**

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

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

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

The Group's financial assets include cash and cash equivalents, short-term and long-term deposits, trade and other receivables, loans and receivables.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of comprehensive income. Reassessment only occurs, if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Trade and other receivables

Trade and other receivables are carried at original invoice amount less allowance made for uncollectibility of these receivables. An allowance for uncollectibility impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

In 2012 recovery of amounts previously written off was in the amount of USD 1,948 thousand (2011: KZT nil). At December 31, 2012 the net charge of allowances for uncollectibility for trade and other receivables amounted to USD 1,492 thousand (2011: USD 2,171 thousand) (Notes 8, 19, 22).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)***Cash and cash equivalents*

Cash includes cash on hand, cash with banks and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial liabilities*Initial recognition*

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

Financial liabilities are recognised initially at fair value and in the case of loans, borrowings, bonds payable, finance leases, and financial guarantee contracts at fair value less directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, bonds payable, finance leases, and financial guarantee contracts.

Subsequent measurement

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

Loans and borrowings

All loans and borrowings are initially recognised at cost, which is the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Trade and other accounts payable

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Financial guarantee contracts

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

Corporate bonds

Corporate bonds are non-capable registered coupon bonds that are at fair value. Corporate bonds are initially recognised at cost, which is the fair value of the consideration received less directly attributable transaction costs. After initial recognition, corporate bonds are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSFor the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial liabilities (continued)****Offsetting of financial instruments**

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

Fair value of financial instruments

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

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

Impairment of financial assets

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

Financial assets carried at amortized cost

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Derecognition of financial instruments****Financial assets**

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

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

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

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability re measured on a basis that reflects the rights and obligations that the Group has retained.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Construction contracts**Contract costs**

Contract costs are recognized when incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized and expensed immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to be recognized in a given period. Stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as work-in-progress in case it is probable that they will be recovered.

Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the contract terms. The contract cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs, rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph.

Operating expenses

Expenses are accounted for at the time the actual flow of the related goods or services occurs, regardless of when cash or its equivalent is paid, and are reported in the consolidated financial statements in the period to which they relate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSFor the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Construction contracts (continued)***Revenue recognition*

Revenue is recognized when it is probable that economic benefits associated with a transaction will flow to the Group and revenue can be reliably measured.

Revenue from construction services is recognized by reference to the stage of completion. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. When the percentage of contract execution cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

The Group has primarily fixed price construction contracts, which in some cases may be subject to cost escalation clauses. The contract revenue is measured at the fair value of the consideration received or receivable, which is affected by a variety of uncertainties that depend on the outcome of future events. Management revises these estimates of the contract revenue as events occur and uncertainties are resolved.

Incidental income

The Group recognizes incidental income that is not included in contract revenue as reduction to contract costs when such revenues were generated from construction contract activities.

Unbilled revenues

When the revenues have been recognized but cannot be billed because of terms of a contract, such amounts are separately recorded on the face of the consolidated statement of financial position as unbilled revenues. After issuance of the bill, such unbilled revenues become trade accounts receivables.

Deferred revenues

Deferred revenues represent accounts billed to and accepted by customers in excess of the actual percentage of completion of the projects. The deferred revenues are classified as current liabilities when it is expected to be released to the consolidated income statement within the next twelve months.

Concession arrangements

The Group manages concession arrangements which include the construction of a road followed by a period in which the Group maintains and services the infrastructure. This concession arrangement set out rights and obligations relative the infrastructure and the service to be provided. For fulfilling those obligations, the Group is entitled to receive cash from the grantor and a contractual right to charge the users of the service for significant period of time. The consideration received or receivable is allocated by reference to the relative fair values of the services provided; typically:

- a construction component
- a service element for operating and maintenance services performed

As set out in (e) above, the right to consideration give rises to an intangible asset, or financial asset:

- revenue from the concession arrangements earned under the financial asset model consists of the (i) fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.
- revenue from the concession arrangements earned under the intangible asset model consists of the fairvalue of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset and payments actually received from the users.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

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

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Group as a lessor

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

Employee benefit costs**Social tax**

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan and Republic of India. Social tax is expensed as incurred.

Defined contribution scheme

The Group withholds up to 10% from the salary of its employees as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement, except as provided below.

Defined benefit scheme

In accordance with the code on labor remuneration the Group provides certain long-term and retirement benefits to certain employees ("Defined Benefit Scheme"). Long-term benefits are paid to employees upon completion of a certain number of years of service whereas retirement benefits represent one-off payments paid upon retirement in accordance with the Group's code of labor remuneration. Both items vary according to the employee's average salary and length of service.

The Group recognizes actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified and recognizes benefit costs and obligations based on estimates determined in accordance with IAS 19 "Employee benefits".

The past service costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

The obligation and cost of benefits under the Defined Benefit Scheme are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to the income statement, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation. The defined benefit scheme is unfunded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Current and deferred income taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law used to compute the amount are those that are enacted or substantially enacted by the reporting date in the Netherlands, the Republic of Kazakhstan, Hungary, and Republic of India. The statutory corporate income tax is currently 25% in Netherlands, 20% in Kazakhstan, 19% in Hungary and 32.45% in India. Entities in Kazakhstan are obliged to make monthly advance corporate income tax payments.

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

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

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

Current and deferred income taxes (continued)

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

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

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

Taxes other than income taxes

The Republic of Kazakhstan and India also have various operating taxes, which are assessed on the Group's activities. These taxes are included as a component of general and administrative expenses in the consolidated statement of comprehensive income.

Value added tax

The tax authorities permit the settlement of sales and purchases value added tax (VAT) on a net basis. Value added tax recoverable represents VAT on purchases net of VAT on sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the value of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are recognized in the consolidated financial statements when they are considered probable and a reliable estimate of the obligation can be made. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Related parties

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or has a joint control over the entity. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Reclassifications

Certain 2011 amounts were reclassified to conform to the presentation of the 2012 financial statements. These reclassifications are summarized below:

In thousands of USD	Amount
Consolidated Income Statement:	
Certain general and administrative expenses were reclassified to cost of sales, net	15,708
Consent fee was reclassified from other expenses to finance costs, net	5,000
Consolidated statement of Cash Flows:	
Consent fee was reclassified to Interest expenses and interest paid	5,000

None of the above reclassifications impacted net income or shareholders' equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

4. REVENUE

For the year, ended December 31, the revenue was derived from construction contracts for the construction of oil and gas pipelines and other oil and gas industrial facilities and a concession arrangement for a motorway road in India.

As at December 31, 2012 some of these construction contracts were still in progress.

	2012	2011
Revenue from construction contracts	892,302	1,015,683
Concession arrangement	31,853	10,940
	924,155	1,026,623

5. COST OF REVENUE

For the years ended December 31, the cost of revenue comprised the following:

<i>In thousands of USD</i>	2012	2011
Materials consumed	254,049	426,537
Sub-construction services	191,719	197,698
Payroll and related staff costs	130,034	133,854
Rent	37,862	26,037
Depreciation	33,146	32,390
Taxes other than income tax	26,643	24,973
Fuel and lubricants	13,872	14,313
Transportation	12,794	13,861
Maintenance and repairs	11,045	9,196
Bank charges	9,134	9,439
Business trips	7,477	6,493
Quality control services	5,633	1,788
Utilities	3,791	7,562
Security	2,867	2,295
Insurance	2,778	2,146
Communication	930	1,097
Reversal of warranty provision	(919)	(14,888)
Other	8,815	14,339
	751,670	909,130

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

6. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Payroll and related staff costs	22,565	37,001
Depreciation and amortization	5,440	4,735
Bank charges	4,281	4,729
Professional services	3,142	7,905
Taxes other than income tax	3,212	9,419
Rent	2,691	3,271
Provision for constructive obligation	1,988	5,815
Business trips	1,690	2,383
Insurance	1,005	1,097
Communication	809	1,152
Materials / advertising expenses	521	1,207
Utilities	391	2,757
Maintenance and repairs	205	246
Fines and penalties	137	120
Charities and donations	40	215
Representative expenses	21	234
Other	2,245	3,694
	50,383	85,980

7. FINANCE INCOME / (FINANCE COST)

Finance income for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Financial assets at fair value through profit and loss (Note 23)	50,000	-
Notional interest	19,760	12,725
Dividend income	15,000	-
Interest income	748	1,307
	85,508	14,032

Finance cost for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Interest on interest bearing loans and borrowings	(39,258)	(47,565)
Notional interest	(20,625)	(10,843)
Interest on bonds	(3,350)	(229)
Interest on finance lease	(491)	(620)
Discount Amortization	(61)	(10)
Financial assets at fair value through profit and loss (Note 23)	-	(130,000)
Other	(45)	(53)
	(63,830)	(189,320)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

8. IMPAIRMENT LOSSES AND BAD DEBT PROVISIONS

Impairment losses for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Impairment of property, plant and equipment in result of revaluation	6,376	-
Impairment of property, plant and equipment (Note 12)	227	4
	6,603	4

Bad debt provisions for the year ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Provision for accounts receivable and unbilled revenue (Note 19)	2,227	1,992
Provision for advances paid (Note 20)	562	714
Provision/ (reversal) for inventories (Note 18)	524	(547)
Provision for other current assets (Note 22)	28	179
	3,341	2,338

In 2012, the Group received back accounts receivable originated in 2009 in the amount of USD 836 thousand which had been written off in previous year (2011: nil). In 2012, the Group created a provision for unbilled revenue recognised in the financial statements but not billed to customers for the total amount of USD 1,143 thousand (2011: nil).

9 OTHER INCOME / (OTHER EXPENSES)

Other income for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Write-off of payables	911	216
Sale of inventories	604	352
Income from reimbursement of insurance expenses	88	160
Penalties	60	66
Rent income	45	194
Other	141	2,529
	1,849	3,517

Other expenses for the years ended December 31, comprised the following:

<i>In thousands of USD</i>	2012	2011
Cost of rent	(158)	-
Cost of inventories sold	(172)	(315)
Other	(1,636)	(243)
	(1,966)	(558)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

10. INCOME AND EXPENSES INCLUDED IN THE INCOME STATEMENT**Included in costs of sales**

<i>In thousands of USD</i>	2012	2011
Depreciation and amortization	33,146	32,390
Warranties provision (reversal)	(919)	(14,888)
Cost of inventories recognized as an expense	267,921	440,850

Included in general and administrative expenses

<i>In thousands of USD</i>	2012	2011
Depreciation and amortization	5,440	4,735
Provision for constructive obligation	1,988	5,815

Employee benefits expenses**Included in costs of sales**

<i>In thousands of USD</i>	2012	2011
Wages and salaries and pension costs	113,177	123,293
Social security costs	6,502	7,932
Pension costs	16,857	10,561

Included in general and administrative expenses

<i>In thousands of USD</i>	2012	2011
Wages and salaries and pension costs	18,844	25,951
Social security costs	1,155	1,493
Pension costs	3,721	11,050

Average number of employees for the years ended December 31, comprised the following:

	2012	2011
In India	10,071	9,734
In Kazakhstan	6,747	6,960
	16,818	16,694

11. INCOME TAX EXPENSES

For the years ended December 31, income tax expenses comprised the following:

<i>In thousands of USD</i>	2012	2011
Current income tax:		
Current income tax expenses	26,302	21,678
Adjustments recorded in current income tax of prior periods	(683)	567
Deferred income tax:		
Foreign Tax expense	366	367
Relating to origination and reversal of temporary difference	(8,324)	1,768
Deferred tax expense resulting from change in tax rates	(104)	62
Translation difference	174	113
	17,731	24,555

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

11. INCOME TAX EXPENSES (continued)

The reconciliation between the income tax provision in the consolidated financial statements and profit before income tax multiplied by the statutory tax rate of 25% is as follows:

<i>In thousands of USD</i>	2012	2011
Profit before income tax expense	140,518	(120,309)
Statutory tax rate	25,0%	25,0%
Theoretical tax expense at the statutory rate	35,117	(30,091)
Adjustments recorded in current income tax of prior periods	(683)	567
Effect of change in tax rates	-	1,580
Unrecognized tax losses	2,276	7,656
Change in unrecognized deferred tax assets	572	(4,178)
Provision for constructive obligation	398	1,163
Foreign tax expense	366	367
Non-deductible expenses	347	568
Non-deductible VAT	325	74
Non-deductible impairment of advances paid	112	143
Non-deductible interest expense	76	84
Write-off of account receivable	(89)	189
Effect of domestic tax rates applicable to individual Group entities	(3,391)	6,950
Dividends	(5,546)	-
Results on GDR's (non-taxable)	(12,500)	32,500
Not taxable transfer of investments, net	-	4,153
Additional revenue due to indirect taxes in India	-	1,232
Tax gain on foreign tax	-	(172)
Other	351	1,770
	17,731	24,555

The Group offsets tax assets and liabilities, if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. Deferred tax balances calculated by applying statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements.

Deferred tax as of December 31, 2012 comprised the following:

<i>In thousand of USD</i>	December 31, 2011	Recognized in consolidated income statement	Recognized in consolidated statement of other comprehensive income		December 31, 2012
		Origination and reversal of temporary difference	Deferred tax due to revaluation	Foreign currency translation	
Deferred tax assets:					
Accrued expenses	35,958	2,414	-	(540)	37,832
Warranty accruals	1,474	(184)	-	(21)	1,269
Due to employees (unused vacation)	1,439	(91)	-	(19)	1,329
Inventory	853	(133)	-	(12)	708
Property, plant and equipment	569	(564)	-	(5)	-
Account receivables	119	44	-	(2)	161
Taxes other than income tax	-	153	-	(1)	152
Carry forward loss	-	104	-	-	104
Other non-current assets	99	(14)	-	(1)	84
Other deferred tax assets	1,845	823	-	(32)	2,636
	42,356	2,552	-	(633)	44,275
Deferred tax liabilities:					
Unbilled revenue	(43,198)	3,444	-	628	(39,126)
Property, plant and equipment	(9,695)	2,327	(8,891)	124	(16,135)
Advance received	(3,052)	397	-	42	(2,613)
Others	(521)	(396)	-	14	(903)
	(56,466)	5,772	(8,891)	808	(58,777)
	(14,110)	8,324	(8,891)	175	(14,502)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

11. INCOME TAX EXPENSES (continued)

Deferred tax as of December 31, 2011 comprised the following:

<i>In thousands of USD</i>	December 31, 2010	Recognized in consolidated income statement Origination and reversal of temporary difference	Deferred tax due to revaluation	Recognized in consolidated statement of other comprehensive income	
				Foreign currency translation	December 31, 2011
Deferred tax assets:					
Accrued expenses	23,280	12,982	—	(304)	35,958
Warranty accruals	4,446	(2,978)	—	6	1,474
Due to employees (unused vacation)	1,113	337	—	(11)	1,439
Inventory	939	(81)	—	(5)	853
Property, plant and equipment	210	364	—	(5)	569
Account receivables	—	120	—	(1)	119
Other non-current assets	118	(119)	—	1	—
Taxes other than income tax	104	(4)	—	(1)	99
Other deferred tax assets	1,363	476	—	6	1,845
	31,573	11,097	—	(314)	42,356
Deferred tax liabilities:					
Unbilled revenue	(31,835)	(11,710)	—	347	(43,198)
Property, plant and equipment	(9,059)	(689)	—	53	(9,695)
Advance received	(2,736)	(339)	—	23	(3,052)
Others	(398)	(127)	—	4	(521)
	(44,028)	(12,865)	—	427	(56,466)
	(12,455)	(1,768)	—	113	(14,110)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The movement in the net deferred tax liabilities was as follows:

<i>In thousands of USD</i>	2012	2011
Net liability at December 31	(14,110)	(12,455)
Origination and reversal of temporary differences	8,324	(1,768)
Effect of changes in tax rates	—	—
Tax (expense) during the period recognized in equity	(8,891)	—
Translation difference	175	113
Net liability as of December 31	(14,502)	(14,110)

Unrecognized deferred tax (liability)/ assets

The movement in the net tax (liability)/ assets was as follows:

<i>In thousands of USD</i>	2012	2011
Tax losses	12,193	9,917
Share of net (income)/ losses of associates	(7,737)	(8,433)
Translation difference	(358)	338
Net unrecognized deferred tax assets as of December 31	4,098	1,822

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

11. INCOME TAX EXPENSES (continued)**Unrecognized deferred tax (liability)/ assets (continued)**

Unrecognized deferred tax liabilities are related to taxes, that would be payable on the unremitted earnings of certain of the Group's associates, and were not recognized for the following reasons:

- The Group has determined it to be unlikely that unremitted earnings would realize through sale proceeds, as the Group currently has no intentions of selling any of its associates in the foreseeable future,

The Group has determined that tax losses will not be recognized until either possibility to offset them against tax gain or passing through period it is allowed by the Tax Law to offset such losses.

12. PROPERTY, PLANT AND EQUIPMENT

For the yearended December 31, 2012 the movement of property, plant and equipment is as follows:

<i>In thousands of USD</i>	Land	Buildings and Construc- tions	Plant and equipment	Vehicles	Other	Construc- tion in progress	Total
Cost:							
At December 31, 2011	3,727	48,575	225,352	33,579	15,546	4,815	331,594
Additions	-	7,756	8,873	599	834	1,623	19,685
Disposals	(52)	(1,874)	(2,673)	(564)	(487)	(1,935)	(7,585)
Revaluation	-	-	38,726	-	-	-	38,726
Transfers	-	1,775	34	4	4	(1,817)	-
Reclassifications	-	(182)	398	95	(161)	(150)	-
Translation difference	(70)	(914)	(5,103)	(556)	(629)	(54)	(7,326)
At December 31, 2012	3,605	55,136	265,607	33,157	15,107	2,482	375,094
Accumulated depreciation and impairment:							
At December 31, 2011	(5)	(12,231)	(102,434)	(16,546)	(6,490)	-	(137,706)
Depreciation charge	-	(6,777)	(24,638)	(3,456)	(2,567)	-	(37,438)
Revaluation	-	-	(5,111)	-	-	-	(5,111)
Disposals	-	1,866	2,476	352	379	-	5,073
Impairment	-	-	(227)	-	-	-	(227)
Reclassifications	-	9	(352)	193	150	-	-
Translation difference	-	282	2,355	317	260	-	3,214
At December 31, 2012	(5)	(16,851)	(127,931)	(19,140)	(8,268)	-	(172,195)
Net book value:							
At December 31, 2011	3,722	36,344	122,918	17,033	9,056	4,815	193,888
At December 31, 2012	3,600	38,285	137,676	14,017	6,839	2,482	202,899

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

12. PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended December 31, 2011 the movement of property, plant and equipment was as follows:

<i>In thousands of USD</i>	Land	Buildings and Constructions	Plant and equipment	Vehicles	Other	Construction in progress	Total
Cost:							
At December 31, 2010	3,894	43,416	202,502	44,737	15,359	7,490	317,398
Additions	67	7,291	38,544	1,060	2,310	5,059	54,331
Disposals	—	(6,622)	(8,089)	(1,625)	(991)	(2,873)	(20,200)
Transfers	—	4,226	43	11	193	(4,473)	—
Reclassifications	—	1,629	8,660	(9,864)	(444)	19	—
Translation difference	(234)	(1,365)	(16,308)	(740)	(881)	(407)	(19,935)
At December 31, 2011	3,727	48,575	225,352	33,579	15,546	4,815	331,594
Accumulated depreciation and impairment:							
At December 31, 2010	(5)	(10,228)	(83,369)	(17,081)	(5,238)	—	(115,921)
Depreciation charge	—	(6,205)	(22,366)	(5,212)	(2,565)	—	(36,348)
Disposals	—	3,895	1,013	1,165	820	—	6,893
Impairment	—	—	(4)	—	—	—	(4)
Reclassifications	—	(288)	(4,025)	4,180	133	—	—
Translation difference	—	595	6,317	402	360	—	7,674
At December 31, 2011	(5)	(12,231)	(102,434)	(16,546)	(6,490)	—	(137,706)
Net book value:							
At December 31, 2010	3,889	33,188	119,133	27,656	10,121	7,490	201,477
At December 31, 2011	3,722	36,344	122,918	17,033	9,056	4,815	193,888

As at December 31, 2012 the Group had certain property, plant and equipment pledged for the Group's borrowings (Note 28).

As at December 31, 2012 property, plant and equipment balances contain fully depreciated fixed assets with a total cost of USD 10,127 thousand (2011: USD 11,893 thousand).

The above tables include machinery and equipment leased under the finance lease agreement (Note 31) as at December 31 as follows:

<i>In thousands of USD</i>	2012	2011
Machinery and equipment, cost	8,736	7,031
Less: Accumulated depreciation	(1,509)	(459)
Net book value	7,227	6,572

Property, plant and equipment amounting to USD 7,031 thousand were leased from Al Hilal Bank in 2011. The above machinery and equipment were pledged as part of finance lease arrangement.

The Group capitalizes borrowing costs only in cases when the loan is obtained for construction or purchase of certain equipment as qualified assets. The amount of capitalized borrowing costs, included in PPE, during 2012 is nil, (2011: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

13. INTANGIBLE ASSETS

For the years, ended December 31, 2012 and year 2011 the movement of intangible assets was as follows:

<i>In thousands of USD</i>	Software	Rights	Total
Cost:			
At December 31, 2010	3,114	38	3,152
Additions	740	10,940	11,680
Disposals	(310)	-	(310)
Translation difference	(136)	(1,361)	(1,497)
At December 31, 2011	3,408	9,617	13,025
Additions	937	19,581	20,518
Disposals	(1)	-	(1)
Translation difference	(40)	(783)	(823)
At December 31, 2012	4,304	28,415	32,719
Accumulated amortization:			
At December 31, 2010	(1,541)	-	(1,541)
Charge	(777)	-	(777)
Disposal	186	-	186
Translation difference	69	-	69
At December 31, 2011	(2,063)	-	(2,063)
Charge	(1,148)	-	(1,148)
Disposal	2	-	2
Translation difference	85	-	85
At December 31, 2012	(3,124)	-	(3,124)
Net book value:			
At December 31, 2011	1,345	9,617	10,962
At December 31, 2012	1,180	28,415	29,595

Intangible assets include software and rights. Software is amortised for five years. Right to operate of Bhubaneswar – Puri section of highway in the Republic of India, this is being constructed by “Bhubaneswar Expressways Private Limited (BEPL)” and depreciated over the operation phase of the project on a straight-line basis, which is over 25 years. The rights to operate are pledged for corresponding loans of BEPL. The Group estimates completion of construction period within 2013.

14. INVESTMENTS

As at December 31, 2012 the investments valued at equity method comprised the following:

Name of entity	Share of ownership	Relationship
JSC PSN Kazstroy JVC (“PSN KazStroy”)	50%	Associate
Keppel Kazakhstan LLP (“Keppel”)	50%	Associate
ISKER KazStroyService LLP, (ISKER)	50%	Associate
Pipeline Service LLP	50%	Associate

For the years, ended December 31, the movement of investments was as follows:

<i>In thousands of USD</i>	
At December 31, 2010	66,457
Notional contribution	83
Share of income / (loss) in associates	19,525
Translation difference	(699)
December 31, 2011	85,366
Contribution in cash	1
Notional contribution	24
Dividends received	(8,911)
Revaluation of plant and equipment	1,210
Share of income / (loss) in associates	5,416
Translation difference	(1,300)
December 31, 2012	81,806

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

14. INVESTMENTS (continued)

All entities are private entities that are not listed on any public exchange.

In June 2007, the Group through its 100% subsidiary JSC "OGCC "KazStroyService" together with "PSN Asia Limited" ("PSN") founded an entity, JSC "PSN KazStroy" ("PSN KazStroy"). PSN KazStroy provides services related to exploitation and technical maintenance of oil properties. In 2007 PSN KazStroy issued 546 thousand shares, which were bought by both participants at par for USD 184 thousand (KZT 27,300 thousand) each. During 2009 the Group increased its investments in JSC "PSN KazStroy" through additional payment of USD 1 million (KZT 148,670 thousand) as part of original foundation agreement upon fulfillment of certain service performance indicators.

As at December 31, 2012 the Group through its 100% subsidiary JSC "OGCC "KazStroyService" had investment of 50% in Keppel Kazakhstan LLP ("Keppel").

As at December 31, 2012 the Group through its 100% subsidiaries Amritha Sharanya Leasing & Investments Private Limited, SRA Finance and Investments Private Limited and Petron Investment Private Limited had investments in shares of several companies. As at December 31, 2012 the total amount of such investments is equal to USD 86 thousands (2011: USD 89 thousand), which are accounted at cost.

Notional contribution

In 2012 and 2011 the Group provided new loans and changed maturity for existing loans to related parties, which are described in *Notes 16 and 24*. In these consolidated financial statements, the loans were discounted using the Group's borrowing rate (9.25% - USD currency, 12% - KZT currency) to their fair value, with the difference between nominal and fair value being recorded as an addition to the investment in the associates.

Translation difference

Translation difference arose mainly as the result of translation of investments from Kazakh Tenge to USD.

As at December 31, 2012 financial information of the Group's investment comprised the following:

<i>In thousands of USD</i>	PSN KazStroy	Keppel	ISKER	Others	2012
Share of the associates' statement of financial position:					
Current assets	32,964	27,542	529	-	61,035
Non-current assets	4,667	53,399	-	86	58,152
Current liabilities	(26,181)	(6,674)	(501)	-	(33,356)
Non-current liabilities	-	(4,025)	-	-	(4,025)
Total	11,450	70,242	28	86	81,806

<i>In thousands of USD</i>	PSN KazStroy	Keppel	ISKER	Others	2012
Share of the associates' revenue and profit					
Revenue	89,442	12,738	267	-	102,447
Profit	3,600	1,794	22	-	5,416
Carrying amount of the investment	11,450	70,242	28	86	81,806

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. INVESTMENTS (continued)

As at December 31, 2011 financial information of the Group's investment comprised the following:

<i>In thousands of USD</i>	PSN KazStroy	Keppel	ISKER	Others	2011
Share of the associates' statement of financial position:					
Current assets	25,032	26,940	--	--	51,972
Non-current assets	2,036	52,748	--	89	54,873
Current liabilities	(19,075)	(2,404)	--	--	(21,479)
Non-current liabilities	--	--	--	--	--
Total	7,993	77,284	--	89	85,366

<i>In thousands of USD</i>	PSN KazStroy	Keppel	ISKER	Others	2011
Share of the associates' revenue and profit					
Revenue	50,411	52,585	--	--	102,996
Profit	4,296	15,229	--	--	19,525
Carrying amount of the investment	7,993	77,284	--	89	85,366

For acquisitions/transfers of subsidiaries within the Group, classified as transactions under common control, the Group has used pooling of interest method for accounting. Within the period under consideration there were no acquisitions outside the Group of companies consolidated at equity method.

15. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their geographical locations and has the following reportable segments:

- Republic of Kazakhstan,
- Republic of India,
- Europe,
- Singapore.

The companies located in Republic of Kazakhstan and Republic of India are operating companies. The companies located in Europe are holding offices. Singapore's companies' role is evolving.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. OPERATING SEGMENT INFORMATION (continued)

For the years, ended December 31, 2012 and year 2011 the segment information comprises the following:

In thousands of USD

Period ending December 31, 2012	Republic of Kazakhstan	Republic of India	Europe	Singapore	Adjustments and eliminations	Consolidated
External customer (within segment)	479,091	445,064	–	–	–	924,155
Inter-segment	5,154	218,758	–	2,160	(226,072)	–
Total revenue	484,245	663,822	–	2,160	(226,072)	924,155
Finance income external (within segment)	19,455	1,031	65,022	–	–	85,508
Inter-segment	12,261	636	23,838	–	(36,735)	–
Total finance income	31,716	1,667	88,860	–	(36,735)	85,508
Finance cost external (within segment)	(30,965)	(22,256)	(10,603)	(6)	–	(63,830)
Inter-segment	–	(451)	–	–	451	–
Total finance cost	(30,965)	(22,707)	(10,603)	(6)	451	(63,830)
Impairment losses recognized	(10,723)	(2,174)	–	–	–	(12,897)
Reversals of impairment losses	2,041	912	–	–	–	2,953
Depreciation and amortization	(27,947)	(10,639)	–	–	–	(38,586)
Share of profit of associates	5,416	–	–	–	–	5,416
Income tax expense	(16,269)	(1,096)	–	(366)	–	(17,731)
Segment profit	86,189	(2,405)	77,437	282	(38,716)	122,787
Operating assets ¹	672,582	552,757	566,882	2,375	(95,871)	1,698,725
Operating liabilities	(439,460)	(471,504)	(276,073)	(1,048)	201,626	(986,459)
Non-current assets ²	139,641	94,705	–	–	(1,790)	232,556
Investment in associates	81,720	86	–	–	–	81,806
Capital expenditure ³	12,607	31,484	–	–	(3,888)	40,203

1. Operating segment assets do not include investments (USD 81,806 thousand) as these assets are managed on a Group basis.

2. Non-current assets for this purpose consist of property, plant and equipment, intangible assets and prepayment for equipment.

3. Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Cash Flow for the year ended December 31, 2012 by segment comprises the following:

<i>In thousands of USD</i>	Republic of Kazakhstan	Republic of India	Europe	Singapore	Adjustments and eliminations	Consolidated
Cash flow from operating activities	55,958	4,334	(23,302)	(472)	19,947	56,465
Cash flow from investment activities	(9,049)	(24,818)	27,844	–	(37,714)	(43,737)
Cash flow from financing activities	(29,021)	23,338	(6,630)	400	17,767	5,854
Net change in cash and cash equivalents	17,888	2,854	(2,088)	(72)	–	18,582
Effect of foreign exchange difference	(349)	(229)	2	–	–	(576)
Cash and cash equivalents at the beginning of the period	10,217	5,642	2,787	981	–	19,627
Cash and cash equivalents at the end of the period	27,756	8,267	701	909	–	37,633

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15. OPERATING SEGMENT INFORMATION (continued)

For 12 month 2011 and at December 31, 2011 the segment information comprises the following:

In thousands of USD

Year ended December 31, 2011	Republic of Kazakhstan	Republic of India	Europe	Singapore	Adjustments and eliminations	Consolidated
External customer (within segment)	500,654	525,969	-	-	-	1,026,623
Inter-segment	1,689	215,380	-	2,160	(219,229)	-
Total revenue	502,343	741,349	-	2,160	(219,229)	1,026,623
Finance income external (within segment)	13,257	775	-	-	-	14,032
Inter-segment	1,411	437	41,177	-	(43,025)	-
Total finance income	14,668	1,212	41,177	-	(43,025)	14,032
Finance cost external (within segment)	(16,305)	(14,093)	(153,922)	-	-	(184,320)
Inter-segment	-	(1,265)	-	-	1,265	-
Total finance cost	(16,305)	(15,358)	(153,922)	-	1,265	(184,320)
Impairment losses recognized	543	-	-	-	-	543
Reversals of impairment losses	(1,881)	(1,004)	-	-	-	(2,885)
Depreciation and amortization	(24,959)	(12,166)	-	-	-	(37,125)
Share of profit of associates	19,525	-	-	-	-	19,525
Income tax expense	(15,176)	(9,003)	(10)	(366)	-	(24,555)
Segment profit	44,717	21,256	(165,679)	556	(45,714)	(144,864)
Operating assets¹	616,729	506,412	506,190	1,577	(63,551)	1,567,357
Operating liabilities	(459,711)	(405,499)	(292,022)	(532)	154,762	(1,003,002)
Non-current assets²	132,012	77,657	-	-	(3)	209,666
Investment in associates	85,277	89	-	-	-	85,366
Capital expenditure³	20,203	46,172	-	-	(362)	66,013

1. Operating segment assets do not include investments (USD 85,366 thousand) and loans to related parties (USD 1,308 thousand) as these assets are managed on a Group basis.

2. Non-current assets for this purpose consist of property, plant and equipment, intangible assets and prepayment for equipment.

3. Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Cash Flow for the year ended December 31, 2011 by segment comprises the following:

	Republic of Kazakhstan	Republic of India	Europe	Singapore	Adjustments and eliminations	Consolidated
<i>In thousands of USD</i>						
Cash flow from operating activities	(154,585)	(34,718)	(7,597)	122	(868)	(197,646)
Cash flow from investment activities	(24,014)	(27,941)	4,643	(11,136)	(12,813)	(71,261)
Cash flow from financing activities	132,123	66,800	(41,355)	11,597	13,681	182,846
Net change in cash and cash equivalents	(46,476)	4,141	(44,309)	583	-	(86,061)
Effect of foreign exchange difference	(502)	(890)	2	-	-	(1,390)
Cash and cash equivalents at the beginning of the period	57,191	2,396	47,093	398	-	107,078
Cash and cash equivalents at the end of the period	10,213	5,647	2,786	981	-	19,627

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

15. OPERATING SEGMENT INFORMATION (continued)

Reconciliation for adjustments and eliminations for operating segment information was as follows:

<i>In thousands of USD</i>	2012	2011
Segment profit		
Dividends paid by Keppel to KSS KZ	(8,911)	—
Dividends paid by subsidiaries to KSS Global B V	(25,088)	(41,048)
Others intercompany adjustments and eliminations	(4,717)	(4,666)
	(38,716)	(45,714)
Operating assets		
Adjustment for investment	(178,995)	(174,652)
Adjustment for borrowings to related parties	(20,539)	(1,260)
Other intercompany adjustments and elimination	103,663	112,361
	(95,871)	(63,551)
Operating liabilities		
Adjustment for loans from related parties	6,194	1,011
Other intercompany adjustments and elimination	195,432	153,751
	201,626	154,762

16. OTHER NON-CURRENT ASSETS

As at December 31, other non-current assets comprised the following:

<i>In thousands of USD</i>	2012	2011
Retention receivables	17,730	216
Long term portion of Indian Taxes	9,832	—
Share application money	6,692	6,948
Deferred expenses	3,803	987
Retention for office rent	420	378
Deposit	—	321
Other	239	21
	38,716	8,871

In 2011 the Group made prepayments in the amount of USD 6,948 thousand (INR 370,900 thousand), with relation to future purchase of additional holdings in Bhubaneswar Expressways Private Limited (BEPL). Per terms of the agreement, the purchase of additional shares may only be executed upon completion of two years from the commercial operation date of BEPL's highway construction project, or upon termination of the concession agreement with the National Highways Authority of India, whichever is earlier. This purchase consideration is meant to purchase all the shares held by Valecha engineering Limited in Bhubaneswar Expressways Pvt Ltd. Valecha currently holds 26% of the paid up capital of the BEPL. With the purchase of this stake, the group will hold 100% of the paid up capital of the company from its current level of 74%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

17. LONG-TERM BANK DEPOSITS

As at December 31, long-term bank deposits comprised the following:

in thousands of USD

Long-term deposits	Interest rate	Date of placement	Maturity date	2012	2011
Kazkomerts Bank	4.7%	2012	2014	663	-
State Bank of India	7.25% - 9.25%	2010-2011	2014-2015	356	1,139
ING Vysya Bank Limited	9.45%	2012	2014	258	-
Punjab National Bank	7.50%-9.0%	2011-2012	2014	142	61
Canara Bank	7% - 9.25%	2010-2011	2014	35	84
Industrial Development Bank of India	7.25% - 9.5%	2010-2011	2013	-	79
Axis Bank Limited	6.3% - 9.25%	2009	2013	-	119
State Bank of Indore	8.25% - 8.75%	2011	2013	-	62
Indian Overseas bank	8.25% -9%	2011	2013	-	20
Plus: Interest receivable				-	-
				1,454	1,564

The long-term bank deposits are pledged with different banks toward the banks' guarantees issued on various existing projects of KazStroyService Investment Pte Ltd, Singapore (KSSIIPL). Long-term deposit with Kazkomerts Bank is pledged with a credit line (KazStroyService OGCC JSC)

18. INVENTORIES

As at December 31, inventories comprised the following:

<i>In thousands of USD</i>	2012	2011
Materials and supplies	33,051	33,195
Spare parts	11,616	11,769
Professional uniforms	3,311	5,251
Fuel	3,453	1,935
Instruments	2,206	2,606
Packaging materials	172	214
Work-in-progress	-	2,310
Other	1,761	2,123
	55,570	59,403
Less: Allowance for obsolete inventories	(1,438)	(1,989)
	54,132	57,414

The movement in the allowance for obsolete inventories was as follows for the years ended December 31.

<i>In thousands of USD</i>	2012	2011
Allowance for obsolete inventories at the beginning of the year	(1,989)	(2,547)
Charge for the year (Note 8)	(722)	(4)
Reversal for the year	203	-
Write off (Note 8)	1,038	551
Translation difference	32	11
Allowance for obsolete inventories at the end of the year	(1,438)	(1,989)

During 2012, USD 458,552 thousand (2011: USD 444,000 thousand) was recognized as an expense for inventories carried at lower of cost and net realizable value. This is recognized in cost of sales and work-in-progress. The part of inventories is pledged in different bank as part of pari-passu on assets (Note 44). The carrying amount of inventories pledged as at December 31, 2012 is equal to USD 1,061 thousand (2011: USD 1,077 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

19. ACCOUNTS RECEIVABLE

As at December 31, accounts receivable comprised the following:

<i>In thousands of USD</i>	2012	2011
Accounts receivable for:		
Construction work	194,170	235,870
Concession arrangement receivable	5,624	-
Other	816	1,164
	200,610	237,034
Less: Allowance for doubtful debts	(1,441)	(1,475)
	199,169	235,559

As at December 31, 2012 accounts receivable for construction work include retentions of USD 47,125 thousand (2011: USD 80,613 thousand). The retention is the amount withheld by the customer from each contract until final acceptance. Account receivables for construction works are not interest bearing and are generally on 30-90 day terms.

Concession arrangement receivable comprise of the amount receivable as government grant with respect to concession arrangement in India comprise as follows:

<i>In thousands of USD</i>	2012	2011
As at January 1	-	-
Receivable granted during the period	15,438	-
Repayment during the period	(9,814)	-
	5,624	-

As at December 31, 2012, the Group's future cash inflows on certain construction contracts were pledged under the bank loan agreements (Note 44).

Trade receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors. Receivables are individually impaired. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2012, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

The trade receivable allowance is set up according to aging, when the trade receivables are more than 3 month, according to retention period, rate and the terms of contract.

The movement in the allowance for doubtful debts was as follows:

<i>In thousands of USD</i>	Individually impaired
At December 31, 2010	(558)
Charge for the year (Note 8)	(2,035)
Recovery for the year (Note 8)	43
Write-off	947
Translation difference	128
At December 31, 2011	(1,475)
Charge for the year (Note 8)	(2,855)
Recovery for the year (Note 8)	935
Write-off	1,710
Translation difference	244
At December 31, 2012	(1,441)

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

<i>In thousands of USD</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 Days	30 - 60 days	60 - 90 day	90 - 120 day	>120 days
2012	199,169	123,020	40,224	1,765	4,280	2,121	27,759
2011	235,559	70,700	78,002	23,677	17,729	3,187	42,264

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

20. ADVANCES PAID

As at December 31, advances paid comprised the following:

<i>In thousands of USD</i>	2012	2011
Advances paid for:		
Inventories	9,033	10,021
Work and services	45,851	40,228
Other	438	-
	55,322	50,249
Less: Allowance for doubtful debts	(2,322)	(2,104)
	53,000	48,145

The movement in the allowance for doubtful debts was as follows for the years ending December 31,

<i>In thousands of USD</i>	2012	2011
Allowance for doubtful debts at the beginning of the year	(2,104)	(1,410)
Charge for the year (Note 8)	(1,324)	(1,279)
Recovery for the year (Note 8)	762	565
Write-off	315	-
Translation difference	29	20
Allowance for doubtful debts at the end of the period	(2,322)	(2,104)

21. PREPAID TAXES OTHER THAN INCOME TAX

As at December 31, prepaid taxes other than income tax comprised the following:

<i>In thousands of USD</i>	2012	2011
Taxes recoverable-VAT	8,775	6,582
Indian taxes recoverable	-	8,317
Other taxes	3,886	4,083
	12,661	18,982

22. OTHER CURRENT ASSETS

As at December 31, other current assets comprised the following:

<i>In thousands of USD</i>	2012	2011
Prepaid insurance	2,029	3,167
Due from employees	1,803	1,565
Deferred expenses	2,045	2,127
Prepaid custom duties	350	507
Insurance claim receivable	65	167
Interest receivable	60	306
Duties recoverable from client	-	6,056
Other	107	1,505
	6,459	15,400
Less: Allowance for doubtful debts	(334)	(446)
	6,125	14,954

The movement in the allowance for doubtful debts was as follows for years ended December 31:

<i>In thousands of USD</i>	2012	2011
Allowance for doubtful debts at the beginning of the year	(446)	(271)
(Charge) / Reverse for the year (Note 8)	(262)	(179)
Recovery for the year (Note 8)	234	-
Write-offs	133	-
Translation difference	7	4
Allowance for doubtful debts at the end of the period	(334)	(446)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

On November 2009 KSS Global B.V. has entered into Sale and Purchase and Investment agreement with Claremont Holdings Limited relating to the acquisition of 50 million global depository receipts ("GDRs") each representing one common unit in Zhaikmunai L.P at a price of four USD (USD 4.00) per GDR. The GDRs are listed on the London Stock Exchange. The transaction was completed on September 9, 2010 by KSS Global B.V. and was funded by issuance of loan notes with an interest rate of 12%.

The GDR's are pledged as security for a facility of USD 200,000 thousand with Standard Chartered Bank (Note 28). As at December 31, financial asset through profit and loss comprised the following:

<i>In thousands of USD</i>	2012	2011
Fair value at the beginning of the year	485,000	615,000
Purchased during the year	-	-
Change in fair value	50,000	(130,000)
Market price at the end of the year	535,000	485,000

24. LOANS TO RELATED PARTIES

As at December 31, loans to related parties comprised the following:

<i>In thousands of USD</i>	2012	2011
PSN Kazstroy JSC	-	1,308
	-	1,308

In 2008, the JSC OGCC KazStroyService provided an interest free loan to an associate company JSC PSN KazStroy, for a total amount of USD 324 thousand (KZT 48,000 thousand), with initial maturity in March 2009. In 2010, the terms of loan were changed and it became interest-bearing with interest rate of 8%. In December, 2011 the maturity date of the loan was prolonged to March 2012. The loan was fully repaid in February 2012.

In April and May 2011 JSC OGCC KazStroyService provided two interest-bearing loans to JSC PSN KazStroy amounting to USD 497.5 thousand (KZT 73,000 thousand) each with an interest rate of 8% and with initial maturity in October and November 2011. In December 2011, the maturity date for loans was prolonged until March 31, 2012. The loans were fully repaid in June and July 2012.

25. SHORT-TERM DEPOSITS

As at December 31, short-term deposits comprised the following:

<i>In thousands of USD</i>			
Short-term deposits	Interest	2012	2011
ING Netherlands	0.10%-0.65%	23,000	12,000
State Bank of India	6.5% - 9.25%	2,854	2,895
IDBI Bank Ltd.	6.75% - 9.25%	637	263
Axis Bank Limited	6% - 8%	294	574
Canara Bank	6.75% - 7.25%	121	91
State Bank of Indore	8.25%-9.25%	58	363
ING Vysya Bank	5% - 9.5%	49	301
Punjab National Bank	6.5% - 10.5%	32	145
Kotak Mahindra Bank	9.50%	-	94
Kazkomerts Bank	9%	-	674
Indian Overseas bank	6.5% - 9.25%	-	99
Industrial Development Bank of India	7% - 9.25%	-	105
State Bank of Mysore	6.75% - 8.0%	-	507
Plus: Interest receivable		15	180
		27,060	18,291

Short-term bank deposits primarily represent bank deposits pledged with different banks toward the banks' guarantees issued for the various ongoing projects (Note 31).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

26. CASH AND CASH EQUIVALENTS

As at December 31, cash and cash equivalents comprised the following:

<i>In thousands of USD</i>	2012	2011
Tenge denominated balances with banks	22,870	3,254
Indian rupees denominated balances with bank	9,662	6,239
Foreign currency denominated balances with banks	308	4,988
USD denominated balance with banks	5,145	4,801
Cash in transit	-	1,000
Cash on hand	439	409
Less: restricted cash	(791)	(1,064)
	37,633	19,627

Foreign currency (not USD) denominated cash comprises at December 31, 2012 primarily cash in KZT (69.6 %), (2011: INR 78%). At December 31, 2012 59.5% of cash balance was held with Sberbank Russia (2011: 23.7% with Axis Bank).

At December 31, 2012 the balance of restricted cash represents deposits opened for non-resident employees as required by the Kazakhstani law (2011: deposits opened for non-resident employees as required by the Kazakhstani law).

27. ISSUED CAPITAL AND RESERVES**Ordinary shares issued and fully paid**

On March 29, 2011 the Company changed its articles of association and amended the authorized share capital. The authorized share capital of the Company amounts to EUR 90,000 and is now divided into 8,800,000 A shares and 200,000 B shares of EUR 0.01 each. Further on May 19, 2011 the Company issued 33,334 A shares and 166,666 B shares of EUR 0.01 each.

As at December 31, 2012 1,833,334 A shares and 166,666 B shares of EUR 0.01 each are issued and paid in (December 31, 2011: 1,833,334 A shares, 166,666 B shares of EUR 0.01 each). In the financial statements, the issued and fully paid-in capital of EUR 20,000 (2011: EUR 20,000) is translated into US Dollars using the year-end exchange rate of EUR 1 = USD 1.3194 (2011: EUR 1 = USD 1.2939).

	2012	2011
	Units	Units
A ordinary shares of 0,01 EUR each	1,833,334	1,833,334
B ordinary shares of 0,01 EUR each	166,666	166,666
Total number of ordinary shares	2,000,000	2,000,000

Share Premium

As at December 31, share premium comprise the following:

<i>In thousands of USD</i>	
At December 31, 2010	28,686
Contribution in cash	-
At December 31, 2011	28,686
Contribution in cash	-
At December 31, 2012	28,686

Other comprehensive income (loss)

Other comprehensive income (loss) includes from foreign currencies translation reserve and property plant and equipment revaluation reserve.

Foreign currencies translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. As at December 31, 2012 foreign currency translation reserve is equal to USD 37,866 thousand (2011: USD 31,092 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

27. ISSUED CAPITAL AND RESERVES (continued)*Property plant and equipment revaluation reserve*

The asset revaluation reserve is used to record increases in the fair value of plant and equipment and decrease to the extent that such decrease relates to an increase on the same assets previously recognized in equity.

Acquisition of subsidiary

In July 2010, the Group together with Valecha Engineering Limited (VEL) established a new entity "Bhubaneswar Expressways Private Limited" ("BEPL") for the purposes of construction, operation and maintenance of Bhubaneswar - Puri section of highway in the Republic of India. In 2011, BEPL issued additional shares pro rata to the ownership between Group and VEL. In 2012 both participant made additional contribution in cash to the share premium reserve of BEPL.

Non-controlling share of subsidiaries

The Group has two non-fully owned subsidiaries Petron Engineering Construction Limited (PECL) and Bhubaneswar Expressways Private Limited (BEPL)

The following table represents number of shares issued by each of the entities and non-controlling interest as at December 31, 2012:

<i>In thousands of USD</i>	PECL	BEPL
	Units	Units
Number of shares belong to the Group	5,463,203	11,384,000
Number of shares belong to non-controlling shareholders	2,075,197	4,000,000
Total number of shares issued and fully paid	7,538,400	15,384,000
% belong to non-controlling shareholders	27,53%	26,00%

Non-controlling share of subsidiaries

The following table represents changes in share of non-controlling shareholders for the periods:

<i>In thousands of USD</i>	PECL	BEPL	Total
Share of non-controlling shareholder as at December 31, 2010	9,318	1	9,319
Profit/(loss) for period	2,674	-	2,674
Translation difference	(1,422)	-	(1,422)
Dividends paid to non-controlling shareholders	(225)	-	(225)
Purchase of additional shares in Petron Engineering Construction Limited	(1,678)	-	(1,678)
Change in share capital/share premium for the period paid by non-controlling shareholders	-	4,969	4,969
Share of non-controlling shareholder as at December 31, 2011	8,667	4,970	13,637
Profit/(loss) for period	(399)	837	438
Translation difference	(219)	(80)	(299)
Dividends paid to non-controlling shareholders	(90)	-	(90)
Change in share capital/share premium for the period	-	75	75
Share of non-controlling shareholder as at December 31, 2012	7,959	5,802	13,761

Dividends of subsidiaries to non-controlling shareholders as at December 31:

<i>In thousands of USD</i>	2012	2011
Petron Engineering Construction Limited (PECL)	90	225
	90	225

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27. ISSUED CAPITAL AND RESERVES (continued)**Transactions affected equity**

Contribution made on the pooling interest in particular the difference between acquirer's cost of investment and the acquirer's equity is a result of consolidation of Group subsidiaries applying a pooling of interest-type method, which was adjusted against retained earnings. For considered period, such transactions are as follow:

- Effect of shares contribution
- Purchase of additional shares in Petron Engineering Construction Limited

The effect of the transactions was recognized in equity.

Effect of shares contribution

In 2011, the Group paid in cash for acquisition of KazStroyService Limited UK (KSS Ltd UK) from parent

Purchase of additional shares in Petron Engineering Construction Limited

In 2011, the Group purchased 20% ownership in Petron Engineering Construction Limited on Bombay Stock Exchange (BSE)

There were no such transactions in 2012.

28. INTEREST BEARING LOANS AND BORROWINGS

As at December 31, interest bearing loans and borrowings, including interest accrued, comprised the following:

In thousands of USD

Short-term interest bearing loans:	Currency	Country ¹	Current interest rate	Maturity date	2012	2011
State Bank of India	INR	IND	12.25%-12.96%	On demand	36,431	31,913
Axis Bank Limited	INR	IND	13.00%-15.50%	On demand-Jun 2013	33,898	32,573
Sber Bank	USD	KZ	5.0%	May-Jun 2013	14,147	59,348
Punjab National Bank	INR	IND	13.50%-15.25%	On demand	13,643	6,404
ICICI Bank Limited	INR	IND	13.75%-14.09%	On demand-Oct 2013	9,489	16,246
Bank Positiv Kazakhstan	KZT	KZ	6.50%	May 2013	6,694	-
SBCC	INR	IND	14%	On demand	4,441	-
State Bank of Hyderabad	INR	IND	13.92%	On demand	4,264	3,684
IDBI Bank	INR	IND	14.09%-15.25%	On demand	2,726	2,624
ING Vysya Bank Limited	INR	IND	13.45%	On demand	1,810	1,212
Indusind Bank	INR	IND	12.25%	Sep 2013	1,506	-
Indian Overseas Bank	INR	IND	15.22%	On demand	996	940
Bank of India	INR	IND	15.00%	On demand	907	911
Inter Corporate Deposits	INR	IND	15.5%-17.00%	Jan-Apr 2013	640	-
Yes Bank	INR	IND	14.93%	On demand	448	660
CANARA Bank	INR	IND	14.50%	On demand	180	164
Claremont Holdings Ltd	USD	NL	12%	Jan 2012	-	232,395
HSBC Bank	USD	KZ	5.2%-7.48%	May 2012	-	23,629
Citi Bank	USD	KZ	4.75%-5.08%	Nov 2012	-	18,632
VTB bank	KZT	KZ	5%	May 2012	-	8,565
					132,220	439,900

Please note that IND-India; NL - Netherlands; KZ-Kazakhstan¹

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For the year ended December 31, 2012

28. INTEREST BEARING LOANS AND BORROWINGS (continued)

<i>In thousands of USD</i>						
Current portion of long-term interest bearing loans:	Currency	Country	Current interest rate	Maturity date	2012	2011
ATF Bank	USD	KZ	5.01%	Dec 2013	6,489	6,508
SREI Infrastructure Finance Ltd	INR	IND	11.90%	Dec 2013	3,361	–
SREI Equipment Finance Private Ltd	INR	IND	13.50%-14.65%	Dec 2013	2,749	4,794
Halyk Bank (I)	EUR	KZ	4.70%	Jul-Oct 2013	2,317	2,303
Standard Chartered Bank	USD	NL	3.81%	Jan 2013	1,845	–
State Bank of India	INR	IND	13.07%	Dec 2013	1,724	281
State Bank of Patiala	INR	IND	15.50%	Dec 2013	927	964
State Bank of Hyderabad	INR	IND	15.50%	Dec 2013	927	964
Tata Capital Limited	INR	IND	11.23%-13.80%	Jan-Dec 2013	896	136
L&T Finance Limited	INR	IND	10.95%	Dec 2013	778	708
Sundaram finance Ltd.	INR	IND	9.54%-13.51%	Dec 2013	666	592
ReligareFinvest Ltd.	INR	IND	10.25%-10.50%	Dec 2013	640	590
Halyk bank (II)	USD	KZ	6.52%	Apr-May 2013	247	257
ICICI Bank Limited	INR	IND	12.04%	Dec 2013	59	–
HDFC bank limited	INR	IND	9.92%-10.20%	Dec 2013	43	56
ING Vysya Bank Limited	INR	IND	15.2%-15.75%	2012	–	503
Sicom Investment & Finance Ltd	INR	IND	16.75%	2012	–	845
CANARA Bank	INR	IND	14.5%	2012	–	76
Axis Bank Limited	INR	IND	9.95%-14.75%	2012	–	19
					23,668	19,596
					155,888	459,496

<i>In thousands of USD</i>						
Long-term interest bearing loans:	Currency	Country	Current interest rate	Maturity date	2012	2011
Standard Chartered Bank	USD	NL	3.81%	Oct 2014	220,000	–
L&T Finance Limited	INR	IND	10.95%-12.75%	Feb 2016-Jul 2025	7,383	1,727
Punjab National Bank	INR	IND	12.75%	Jul 2025	7,339	1,352
SREI Infrastructure Finance Ltd	INR	IND	9.75%-14.00%	Jun 2014-Mar 2016	6,842	–
Axis Bank Limited	INR	IND	12.75%	Jul 2025	6,280	–
India Infrastructure Finance Company Ltd	INR	IND	12.75%	Jul 2025	5,641	1,032
TATA Capital Limited	INR	IND	13.80%	Jul 2016	2,488	12
ATF Bank	USD	KZ	5.01%	Feb 2014-Sep 2015	1,972	8,429
SREI Equipment Finance Private Ltd	INR	IND	14.65%	Jul 2014	490	7,605
Sundaram Finance Ltd	INR	IND	9.54%-13.51%	Jun 2014	360	970
State Bank of Patiala	INR	IND	15.50%	Mar 2014	228	1,171
State Bank of Hyderabad	INR	IND	15.50%	Jan 2014	228	937
Religare Finvest Ltd	INR	IND	10.25%-10.50%	Feb 2014	92	753
ICICI Bank Limited	INR	IND	12.04%	Feb 2016	83	–
HDFC Bank Limited	INR	IND	9.92%-10.20%	May 2015-Jul 2016	39	74
State Bank of India	INR	IND	11.25%-16.15%	2012	–	4,515
Halyk Bank (I)	EUR	KZ	4.013%-6.12%	Oct 2012	–	2,243
ING Vysya Bank Limited	INR	IND	15.2%-15.75%	2013	–	503
Halyk Bank (II)	USD	KZ	6.26%-6.77%	Jul 2012	–	239
					259,465	31,562
Total interest bearing loans and borrowings:					415,353	491,058

The Group borrows money to meet its' working capital requirements and for purchasing of PPE or securities (term loans). The Group has its borrowing in Kazakhstan, India, and Netherlands. The loans are secured by pledges of assets and inter-company guarantees; for the carrying amount of assets pledged see Note 44.

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28. INTEREST BEARING LOANS AND BORROWINGS (continued)

Interest bearing loans and borrowings in Netherlands.

The borrowing in Netherlands is done for investment purposes in Zhaikmunai GDR's. On September 9, 2010 KSS Global BV concluded a Credit Agreement with Claremont Holding Ltd. for a loan facility of USD 200,000 thousand. The initial maturity was for three years, and interest rate was 12% payable annually. And a revolving credit facility of up to USD 20,000 thousand was granted. The maturity date is the last day of the Term of a Revolving credit loan. KSS Global B.V. should repay fully the loan on the Final maturity day which is specified by the loan agreement. As at December 31, 2011 no amounts were withdrawn. The Loan was secured by guarantee of its subsidiary JSC OGCC KazStroyService and GDR's have been pledged as collateral for the loan.

In January 2012, KSS Global BV restructured the loan in Standard Chartered Bank with interest rate of 3.5% + LIBOR currently 4.5% with maturity in 2015.

Interest bearing loans and borrowings in Kazakhstan.

The Group borrows money in Kazakhstan for general corporation purposes and for purchasing of PPE. The loans in Kazakhstan are mostly short-term with maturity from 3-6 month with possibility to re-financing, which allows the Group to decrease their interest costs. The interests are payable monthly, the principals are payable at maturities which is specified for each draw-down. There are several general credit lines opened in Kazakhstan banks both cash and non-cash with current effective dates up to December, 2015 at the latest. The loans are secured by pledge of property, plant and equipment, future cash receivables from existing contracts and cash on deposit.

Interest bearing loans and borrowings in India.

The Group borrows money in India for general corporation purposes and for purchasing of PPE. The loans in India are short-term for general operating requirements and long-term for purchasing of PPE. The interests and principal are payable monthly with equal instalments till maturity except borrowing of BEPL, there are specific conditions existing in the loan contracts: the interest is payable monthly and principal is payable after finishing of construction period (in three year) and until end of operating period till July 2025. The loans in India are secured by pari-passu charge on assets of each subsidiary, and inter-companies corporate guarantees.

Undrawn borrowing facilities

As at December 31, 2012, the Group had undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments for the total amount of USD 477,000 thousand (2011: USD 626,882 thousand). The undrawn borrowing facilities are available under the credit lines provided to the Group by the different banks in Kazakhstan and India mentioned above.

The loan agreements on the subsidiary and group level include a variety of financial covenants, such as liquidity, debt and profitability ratios.

29. NOTES PAYABLE

The notes payable represent acceptances of bill of exchange against letter of credit by Petron Civil Engineering Private Limited (PCEPL) and by Petron Engineering Construction Limited (PECL).

	2012	2011
Acceptances of bill of exchange against letters of credit	4,943	8,083
	4,943	8,083

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30. BONDS PAYABLE

In July 2012 the Group issued 15,000,000 three-year coupon bonds on KASE out of which 14,308,990 were placed, and 3,000,000 were bought back on October 25, 2012. The nominal value of each bond is KZT 1,000 and annual interest rate 8%. Principal amount is payable on July 9, 2015. Interest is payable in semiannual installments. The bonds are unsecured.

<i>In thousands of USD</i>	2012	2011
Principal amount	75,023	-
Unamortized discount	(206)	-
	74,817	-
Plus: interest payable	2,848	-
Present value of bonds payable	77,665	-
Short-term portion of bonds payable	2,767	-
Long-term portion of bonds payable	74,898	-

The amortization of premium for the years ended December 31, was as follows:

<i>In thousands of USD</i>	2012	2011
Discount at bonds issuance	(267)	(10)
Amortization of discount	61	10
Unamortized discount	(206)	-

31. FINANCE LEASE LIABILITY

In 2011 the Group entered into a sale and leaseback agreement with Al HilalBank for four years with equal quarterly repayments. Under the leaseback agreement, the Group sold machinery and equipment for total amount of USD 6,975 thousand (KZT 1,023 thousand) and received lease back in total amount of USD 7,117 thousand (KZT 1,043 thousand) without VAT (Note 12). The Group pledged the leased equipment with residual value as of December 31, 2012 of USD 7,227 thousand (KZT 1,089,398 thousands) as collateral for the sale and leaseback agreement.

The interest rate for the leaseback agreement is 9% per annum. At the end of the lease term in 2015, the ownership on the leased machinery and equipment will be passed to the Group.

The reconciliation between the total amount of minimum lease payments as at December 31 and their present value is as follows:

<i>In thousands of USD</i>	2012	2011
Not later than one year	2,262	2,480
Later than one and not later than five years	2,580	4,918
Total lease payments	4,842	7,398
Less: estimated amount representing interest	(441)	(941)
Present value of minimum lease payments at December 31	4,401	6,457
Long-term portion of lease payable	2,415	4,415
Short-term portion of lease payable	1,986	2,042

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

32. OTHER NON-CURRENT LIABILITIES

As at December 31, other non-current liabilities comprised the following:

<i>In thousands of USD</i>	2012	December 30, 2011
Advances received	56,206	57,282
Retention	6,194	3,214
Warranty provision	3,029	5,239
Financial guarantees	14	24
Other	-	62
	65,443	65,821

Advances received

As at December 31, 2012 the Group received advances from customers for construction works being performed through June 2014 amounting to USD 55,201 thousand (2011: USD 134,344 thousand). Non-current portion of advances received from the customers was presented at fair value using the Group's borrowing rate for 2012 with the difference between their fair and nominal value recorded as finance income.

Warranty provision

Under certain provisions of the construction contracts, the Group is obliged to rectify construction defects identified by a customer subsequent to construction completion. Such warranty generally extends for a maximum period of two years from the date of construction acceptance.

Financial guarantees

In March 2011, the Group issued a financial guarantee for a loan given to PSN Kazstroy by HSBC Bank Kazakhstan. The guarantee was initially recognised at the fair value of liabilities, which was determined by reference to the market interest rates on similar guarantees and loan interest differential arising from such guarantees. At the origination, the fair value of guarantees issued in favor of the loan given to PSN Kazstroy was recorded as a notional contribution to the investment in the associate. As at December 31, 2012 the unamortized value of financial guarantee in the amount of USD 11 thousand (2011: 10 thousand) was presented as current liability (*Note 34*) and the residual part in the amount of USD 14 thousand (2011: USD 24 thousand) was presented as non-current liability.

33. EMPLOYEE BENEFITS LIABILITY**Defined Benefit Scheme**

Employee benefit liability under this scheme is payable in accordance with the Group's code on labor remuneration concluded between the Group and its employees.

The Defined Benefit Scheme is unfunded. The Group expects to contribute USD 250 thousand to its defined benefit pension plans in 2013.

The Company has two defined benefit pension plans - Gratuity plan and other benefits plan, which includes leave encashment and anniversary benefit programs.

The total liability for the Group's Defined Benefit Scheme according to the plans comprised the following as at December 31:

<i>In thousands of USD</i>	2012	2011
Gratuity	473	1,448
Other benefits	1,757	1,079
Present value of defined benefit liability	2,230	2,527

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33. EMPLOYEE BENEFITS LIABILITY (continued)

A reconciliation of the present value of the defined benefit liability with specified payments is as follows for the years ended December 31:

<i>In thousands of USD</i>	2012	2011
Total liability at the beginning of the year	2,527	2,744
Past service cost	-	-
Interest cost	220	212
Current service cost	950	620
Benefits paid	(470)	(618)
Actuarial loss / (gain) recognized during the year	(115)	11
Less fair value of plan assets	(42)	-
Contribution to Gratuity Fund up to 31.12.2012	(789)	-
Translation difference	(52)	(442)
Total liability at the end of the year	2,229	2,527
Liability falling due within one year	302	231
Liability falling due after one year	1,927	2,296

Current service cost and actuarial loss in the aggregate amount of USD 835 thousand were recorded in the consolidated statement of comprehensive income within payroll and related staff costs (2011: USD 631 thousand).

The total liability for the Group's Defined Benefit Scheme, fair value of plan assets and surplus/deficit in the plan comprised the following as at December 31:

<i>In thousands of USD</i>	2012	2011	2010	2009	2008
Present value of defined benefit liability	2,229	2,527	2,744	2,155	2,004
Fair value of plan assets	1,559	879	1,051	745	1,101
Surplus / (Deficit)	(670)	(1,648)	(1,693)	(1,410)	(903)

The estimates of the Group's liability were made on the basis of the published statistical data regarding mortality and the actual Group's data concerning the number, age, gender and years of employee service. Other principal assumptions used in determining benefit obligations for the Group's plan are shown below:

	2012		2011	
	Kazakhstan	India	Kazakhstan	India
Discount rate	5.57%	8.5%	6.7%	8.5%
The expected rate of future annual minimum salary increases	7.0%	6.5%	6.0%	6.5%

34. LOANS FROM OTHER ENTITIES

Loans from other entities represent loans granted to subsidiaries by individuals and other loans received from other entities (non-financial institutions), the loan are unsecured. The loan are payable in 2013.

As at December 31, loans from other entities comprised the following:

<i>In thousands of USD</i>	2012	2011
Loan from individuals	116	124
	116	124

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

35. TRADE ACCOUNTS PAYABLE

As at December 31, trade accounts payable comprised the following:

<i>In thousands of USD</i>	2012	2011
Trade accounts payable to/for:		
Subcontractors	119,379	105,741
Inventories	26,850	47,102
Machinery and equipment	331	3,199
Other	8,345	10,929
	154,905	166,971

As at December 31, 2011 accounts payable to subcontractors includes retentions of USD 23,588 thousand (2011: USD 20,591 thousand). The retention is the amount withheld by the Group from each contract billing until final acceptance.

36. ADVANCES FROM CUSTOMERS

As at December 31, advances from customers are mostly for construction services and comprised the following:

<i>In thousands of USD</i>	2012	2011
Current portion of long-term advances from customers	139,722	63,266
Short-term advances from customers	24,588	103,418
	164,310	166,684

37. DEFERRED REVENUE

As at December 31, the movement of deferred revenue was as following:

<i>In thousands of USD</i>	2012	2011
At the beginning of the period	15,414	21,033
Deferred during the year	23,094	133,278
Released to the consolidated income statement	(32,130)	(136,208)
Translation difference	(57)	(2,689)
At the end of the period	6,321	15,414

Deferred revenue represents accounts billed to and accepted by customers in excess of the actual percentage of completion of the projects (*Note 40*).

38. TAXES PAYABLE OTHER THAN INCOME TAX

As at December 31, taxes payable other than income tax comprised the following:

<i>In thousands of USD</i>	2012	2011
VAT payable	13,564	7,024
Taxes payable in India	12,889	13,729
Social tax	854	558
Personal income tax	811	702
Withholding tax from non-residents	556	339
Provision for taxes	51	—
Other taxes	1,286	363
	30,011	22,715

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39. OTHER CURRENT LIABILITIES

As at December 31, other current liabilities comprised the following:

<i>In thousands of USD</i>	2012	2011
Due to employees	13,684	12,419
Provision for constructive obligation	7,625	5,746
Recognized losses	5,262	1,032
Warranties accrued for completed contracts	2,617	2,132
Due to pension funds	744	627
Financial guarantees	11	10
Other	6,629	17,497
	36,572	39,463

Provision amount shown in other current liabilities represents a provision made by the JSC OGCC KazStroyService in 2011 for a constructive obligation that probable will require an outflow of resources to settle the obligation.

40. CONSTRUCTION CONTRACTS

The construction contracts analysis is presented as follows:

<i>In thousands of USD</i>	2012	2011
Revenue recognized at the reporting date (for uncompleted contracts)	2,162,253	2,209,107
Contract cost recognized (uncompleted contracts)	(1,873,098)	(1,928,577)
Expected contract losses (uncompleted contracts)	(2,831)	(1,047)
Recognized profits less recognized losses (uncompleted contracts)	286,324	279,483
Revenue recognized at the reporting date (for uncompleted contracts)	2,162,253	2,209,107
Unbilled revenues	(394,692)	(344,462)
Due to customers	6,321	15,414
Total progress billing (for uncompleted contracts)	1,773,882	1,880,059
Translation difference	(4,109)	(22,740)
VAT recoverable	125,288	116,222
Progress billing including VAT (cumulative for uncompleted contracts)	1,895,061	1,973,541
Payments received under current contracts	(1,933,172)	(2,049,920)
Advances received under current contracts	230,232	251,113
Accounts receivable under current contracts	192,121	174,734
Accounts receivable under completed contracts	21,385	61,359
Accounts receivable, total	213,506	236,093
including retention (for uncompleted contracts)	53,624	48,554

Revenue recognized in 2012 (for uncompleted contracts) comprised revenue recognized before 2012 in the amount of USD 1,327,876 thousand (before 2011: USD 1,234,027 thousand) and revenue in the amount of USD 834,377 thousand recognized during 2012 (2011: USD 975,080 thousand). As at December 31, the uncompleted contracts were at various stages of completion.

Under certain provisions of construction contracts, the Group is obliged to rectify construction defects identified by a customer subsequent to construction completion. Such warranty generally extends for a maximum period of two years from the date of construction acceptance. As at December 31, 2012 the Group had commitment on future warranty works estimated in the amount of 8,682 USD thousand (2011: 6,296 USD thousand). Management believes that the amount of estimated warranty commitment as at December 31, 2012 is adequate. No contingency assets related to construction contract existed for the Group.

As of December 31, 2012, JSC OGCC KazStroyService had advances received for the works to be performed through November 2013 and throughout June 2014 (Note 32, 36).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

All related party transactions are considered and reviewed. If they are deemed to be not at arm's length transactions, then discounting is provided, if necessary.

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates. For the year ended December 31, 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: nil) as well as any expenses for bad or doubtful debts (2011: nil).

The following table provides the total amount of transactions, which have been entered into with related parties during 2012 and 2011 and the related balances as at December 31:

<i>In thousands of USD</i>	Associates	
	2012	2011
Purchase of services		439
<i>JSC PSN KazStroy</i>	–	439
Loans provided to related parties during the year	–	996
<i>JSC PSN KazStroy</i>	–	996
Loans repaid by related parties during the year	1,301	4,500
<i>JSC PSN KazStroy</i>	1,301	–
<i>Keppel Kazakhstan</i>	–	4,500
Finance cost	–	149
<i>JSC PSN KazStroy</i>	–	124
<i>Keppel Kazakhstan</i>	–	25
Finance income	78	79
<i>JSC PSN KazStroy</i>	78	79
<i>Keppel Kazakhstan</i>	–	–

	Associates	
	2012	2011
Trade accounts receivable and advances paid	–	27
<i>JSC PSN KazStroy</i>	–	27
Trade accounts payable, advances received and other current liabilities	–	–
Loans to related parties	–	1,308
<i>JSC PSN KazStroy</i>	–	1,308
<i>Keppel Kazakhstan</i>	–	–

In 2008, the Group provided an interest free, unsecured loan to an associate company, JSC PSN KazStroy, for a total amount of USD 323 thousand (KZT 48,000 thousand), with initial maturity in March 2009. In 2010, the terms of loan were changed and it became interest-bearing with interest rate of 8%. In December, 2011 the maturity date of the loan was prolonged to March 2012. The loan was fully repaid in February 2012.

In April and May, 2011 the Group provided two interest-bearing unsecured loans to JSC PSN KazStroy amounting to KZT 73 million each (USD 497.5 thousand each) with an interest rate of 8% and with initial maturity in October and November 2011. In December 2011, the date of redemption of the loans was prolonged until March 31, 2012.

On November 1, 2010 and May 25, 2009 the Group issued corporate non-financial guarantees in favor of construction contract performance concluded by JSC PSN KazStroy with AGIP Kazakhstan North Caspian Operating Company N.V. As at December 31, 2012 the total amount of outstanding guarantees is equivalent to USD 5,326 thousand (2011: USD 5,295 thousand).

Name of entity	Relationship
AT Holding Europe B.V.	Parent
KazStroy Service Infrastructure B.V.	Parent
Fraseli Investments Sàrl	Parent
JSC PSN KazStroy JVC ("PSN KazStroy")	Associate
Keppel Kazakhstan LLP ("Keppel")	Associate
IskerKazstroyservice	Associate
Service Pipeline LLP	Associate

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41. RELATED PARTY TRANSACTIONS (continued)

Parent

There were no transactions of the Group with the parent during reporting period.

Associates

Transactions with associates include interest free and interest bearing loans described in details in *Notes 16 and 24*. In addition, JSC PSN KazStroy acts as subcontractor for the Group providing services related to exploitation and technical maintenance of oil properties and engineering services for various construction contracts.

Except for the interest rate free loan, all transactions were done at arms lengths.

Compensation to key management personnel

Key management personnel consist of directors, members of board of directors and management board of the Group and subsidiaries. Key management personnel totaled 22 persons as at December 31, 2012 (2011: 34 persons). Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income amounted to USD 3,148 thousand and USD 4,322 thousand for the years ended December 31, respectively. The compensation to key management personnel consists of contractual salary and performance bonuses based on operating results.

<i>In thousands of USD</i>	2012	2011
Performance bonus	26	118
Contractual salary	3,122	4,204
	3,148	4,322

42. COMMITMENTS AND CONTINGENCIES

Purchase commitments

As at December 31, the Group had the following purchase commitments:

<i>In thousands of USD</i>	2012	2011
Purchase of equipment	1,846	2,537
Leasing commitments (within one year)	4,401	4,407
Leasing commitments (from one year to five)	17,282	17,735
Leasing commitments (more than five year)	3,534	8,458
	27,063	33,137

The Group had certain commitments related to the purchase of equipment and inventory and office space rent in various locations in the Republic of Kazakhstan and India.

In 2009, the Group entered into operating lease agreement to rent an administrative office located in Almaty, Kazakhstan for the period from 2010 till 2018.

Warranties

Under certain provisions of construction contracts, the Group is obliged to rectify construction defects identified by a customer subsequent to construction completion. Such warranty generally extends for a maximum period of two years from the date of construction acceptance. As at December 31, 2012 the Group had commitment on future warranty works estimated in the amount of USD 8,682 thousand (2011: USD 6,296 thousand). Management believes that the amount of estimated warranty commitment as at December 31, 2011 is adequate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSFor the year ended December 31, 2012

43. COMMITMENTS AND CONTINGENCIES (continued)**Taxation**

Kazakhstani tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

Tax laws in India and Europe are settled and will not be subject irrational interpretations.

The Group believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to accrue contingencies in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

As at December 31, 2012 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

Environmental matters

The Group is subject to various environmental laws and regulations. Whilst management is of the opinion that the Group has met the Government's requirements concerning environmental matters, there can be no assurances that contingent liabilities do not exist.

Guarantee issued

On November 1, 2010 and May 25, 2009 the Group issued corporate non-financial guarantees in favor of construction contract performance concluded by JSC PSN KazStroy with AGIP Kazakhstan North Caspian Operating Company N.V. As at December 31, 2012 the total amount of outstanding guarantees is equivalent to USD 5,326 thousand (2011: USD 5,295 thousand).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**Guarantee issued**

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations.

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

Interest rate risk

The Group's only potential interest rate risk relates to interest payable associated with its variable interest borrowings. The Group does not enter into any hedging instruments to mitigate any potential risks since management does not believe the interest rate risk associated with the loan obligations is significant.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Interest rate risk (continued)**

As at December 31, 2012 approximately 9% of the Group's borrowings are at a fixed interest rate (2011: 73%). The following table demonstrates the sensitivity of a possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). The impact on the Group's equity is the same.

	Increase / decrease in basis points	Effect on profit before tax
<i>In thousands of USD</i>		
December 31, 2012		
INR	+100	(1,428)
EUR	+100	(23)
USD	+100	(2,313)
INR	-100	1,428
EUR	-100	23
USD	-100	2,313
2011		
INR	+100	(927)
EUR	+100	(340)
USD	+100	(49)
INR	-100	927
EUR	-100	340
USD	-100	49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Foreign currency risk**

A portion of the Group's purchases is denominated in foreign currencies (not USD) and the Group raised a substantial amount of foreign currency denominated short-term borrowings, which exposed the Group to foreign exchange risk. During 2012, the Group's sales denominated in foreign currencies comprised approximately 69% (2011: 68%), and approximately 97% of the Group's costs were denominated in foreign currencies (2011: 87%).

The Group does not hedge balances denominated in foreign currencies since management does not believe the foreign exchange risk is significant.

The following table demonstrates the sensitivity to a possible change in the foreign currency exchange rate with all other variables held constant of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

<i>In thousands of USD</i>	Effect on profit before tax		
	Index of change in exchange rates	Weakening of USD	Strengthening of USD
2012			
KZTrate	1,57%	266	(266)
EUR rate	10,77%	(277)	277
RUR rate	10,74%	(188)	188
INR rate	5,00%	1,666	(1,666)
2011			
KZT rate	10.72%	(9,288)	9,288
EUR rate	16.33%	(590)	590
RUR rate	16.01%	(241)	241
INR rate	5.00%	(511)	511

Credit risks

Financial assets, which potentially subject the Group to the credit risk, consist principally of trade receivables; borrowings to related parties are insignificant. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of allowance for impairment of receivables, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

At December 31, the Group had 21 customers (2011: 28 customers) that owed the Group more than USD 1 million each and accounted for approximately 94% (2011: 85%) of all trade receivables for construction works outstanding. There were 5 customers (2011: 10 customers) with balances greater than USD 5 million accounting for just over 77% (2011: 70%) of the total amounts receivable for construction works. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customers credit risk management on a regular basis. The Management of the Group estimated the customer credit risk as low.

Concentrations of credit risk may arise from cash and cash equivalents that are solely held in Kazakhstani and Indian banks. The Group's treasury department is managing credit risk from balances with banks according to the policy implemented in the Group. Funds are held only in approved banks and within credit limits assigned to each bank. Financial loss is mitigated by setting the limits to minimize the concentration of risks. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 28.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risks (continued)**

With respect to credit risk arising from loan receivables and other financial assets the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risk in relation to trade accounts receivable for the construction contracts is mitigated by offsetting an amount to receive from customer and an amount to be paid to subcontractors. As the Group's major customers for construction contracts are mostly state-owned entities or governmentally controlled joint-ventures, the Group believes that they are reliable and of high credit quality and, hence there is no significant credit risk with these customers.

The Group's maximum exposure for financial guarantees is noted in *Note 32*.

Guarantee given

The individual subsidiaries within the Group issued guarantees to its subsidiaries as part of security for loans provided by banks. Full description of guarantees issued is in each of banks loans granted.

Collateral

The Group pledged different types of assets for collateral requirements by banks.

Interest bearing loans and borrowings were secured by certain assets and their carrying values are as follows:

In thousands of USD

	2012	2011
Property, plant and equipment	120,898	82,248
Inventories	1,061	1,077
Accounts receivable	151,844	221,177
GDR	535,000	485,000
Cash	7,911	6,086
Other assets	152,795	195,993
	969,509	991,581

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flow from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank and participants' borrowings. 48.1 % of the Group's debt will mature in less than one year at December 31, 2012 (2011: 89%) based on carrying value of borrowings reflected in these consolidated financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Equity price risk

The Group holds LSE listed equity securities, i.e. 50 million GDR's of Zhaikmunai L.P. At the Reporting date, the fair value of GDR's portfolio was USD 535,000 thousand. By holding these assets the Group is exposed to equity price risk, defined as the risk of declining equity prices, which can result in the decline of the assets recognized in the balance sheet and has direct effect on profit or loss of the Group. The Group closely monitors the above price risk. Reports on the GDR's portfolio and market research are submitted to the Group's senior management on at least monthly basis. Depending on the price behaviour and the use of price threshold floors the decision to sell or keep the portfolio is to be taken

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk**

The table below summarizes the maturity profile of the Group financial liabilities at December 31, based on contractual undiscounted payments.

In thousands of USD

2012	Upon request	< 3 months	3-12 months	1-5 years	Total
Interest bearing loans and borrowings	76,217	4,239	85,698	266,810	432,964
Bonds payable	—	3,001	3,001	87,027	93,029
Lease payable	—	629	1,663	2,549	4,841
Trade accounts payable	—	125,911	28,995	—	154,906
Other current liabilities ((less warranty provision, recognized losses and provision for constructive obligations)	—	—	—	—	—
Other non-current liabilities (less: warranty provision and advances)	—	19,668	1,261	—	20,929
				14,190	14,190
	76,217	153,448	120,618	370,576	720,859

2011	Upon request	< 3 months	3-12 months	1-5 years	Total
Interest bearing loans and borrowings	96,951	71,605	294,389	33,325	496,270
Bonds payable	—	—	—	—	—
Lease payable	—	640	1,840	4,918	7,398
Trade accounts payable	—	152,031	14,940	—	166,971
Other current liabilities (less warranty provision, recognized losses and provision for constructive obligations)	—	—	—	—	—
Other non-current liabilities (less: warranty provision and advances)	—	29,759	1,541	—	31,300
	—	—	—	3,300	3,300
	96,951	254,035	312,710	41,543	705,239

Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, if deemed necessary.

The capital structure of the Group consists of debt, which includes the borrowings, bonds payable and finance lease liability, and equity, comprising issued capital and retained earnings. The group maintains the gearing ratio in the range of 30%-70%.

The gearing ratio at the year-end was as follows:

<i>In thousands of USD</i>	2012	2011
Interest bearing loans and borrowings	415,353	491,058
Notes payable	4,943	8,083
Bonds payable	77,665	—
Finance lease liability	4,401	6,457
Trade accounts payables	154,905	166,971
Less: Cash and cash equivalents and restricted cash	(38,424)	(20,691)
Net debt	618,843	651,878
Equity	712,266	564,355
Capital and net debt	1,331,109	1,216,233
Gearing ratio	46%	54%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Fair values**

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

All the Group's monetary assets and liabilities are carried at their estimated fair values for the years ended December 31.

The carrying amount of cash, trade accounts receivable, accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments. Borrowings and lease liabilities are stated at amortized costs which approximate their fair values.

For amounts due from related parties maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. The carrying value of amounts due from related parties maturing within twelve months approximated their fair value.

<i>In thousands of USD</i>	Carrying amount		Fairvalue	
	2012	2011	2012	2011
Financial assets:				
Other non-current assets	17,969	8,871	17,969	8,871
Accounts receivable	199,169	235,559	199,169	235,559
Unbilled revenue	395,601	344,462	395,601	344,462
Interest receivable	350	306	350	306
Loans to related parties	-	1,308	-	1,308
Financial asset at fair value through profit and loss	535,000	485,000	535,000	485,000
Bank deposits	28,514	19,855	28,514	19,855
Cash and cash equivalent	37,633	19,627	37,633	19,627
Restricted cash				
	791	1,064	791	1,064

<i>In thousands of USD</i>	Carrying amount		Fairvalue	
	2012	2011	2012	2011
Financial liabilities:				
Floating rate borrowings	376,314	132,011	376,314	132,011
Fixed rate borrowings	39,039	359,047	39,039	364,047
Notes payable	4,943	8,083	4,943	8,083
Bonds payable	77,665	-	78,602	-
Lease payable	4,401	6,457	4,401	6,457
Trade accounts payable	154,905	166,971	154,905	166,971
Loans from other entities	116	124	116	124
Other current liabilities (less: warranty provisions, recognized losses and constructive obligation)	24,145	30,553	24,145	30,553
Other non-current liabilities (less: warranty payable and advances received)	6,208	3,300	6,208	3,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Fair value hierarchy**

As at December 31, 2012, the Group held the following financial instruments carried at fair value on the statement of financial position:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value

<i>In thousands of USD</i>	2012	Level 1	Level 2	Level 3
Financial asset at fair value through profit and loss				
Equity securities	535,000	535,000	–	–

Liabilities measured at fair value

<i>In thousands of USD</i>	2012	Level 1	Level 2	Level 3
Financial liability at fair value through profit and loss				
Bonds payable	77,665	77,665	–	–

During the reporting period ending December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

45. EVENTS AFTER THE REPORTING PERIOD**Group Restructuring**

As at February 2013, within the Group restructuring exercise ("Group Restructuring"), the Honorable Bombay High Court has approved the Scheme of Amalgamation of Petron Civil Engineering Private Limited, Petron Investments Private Limited, Amritha Sharanya Leasing and Investments Private Limited and SRA Finance and Investments Private Limited with KazStroyService Infrastructure India Private Limited and their respective shareholders and creditors.

As result of the restructuring, KSSIPL will be amalgamated with four Indian subsidiaries of KSS Hungary:

The following companies will be merged within the Group:

- Petron Civil Engineering Construction Limited,
- SRA Finance & Investments Private Limited,
- AmrithaSharanya Leasing and Investment Private Limited,
- Petron Investments Private Limited.

The Court approval has been filed with Registrar of Companies in India on March 28, 2013.

As at February 15, 2013, 25% of shares in OGCC KazStroyService JSC were transferred at cost to KazStroyServices Hungary Kft (KSS Hungary).

On March 29, 2013 the shareholders of OGCC KazStroyService JSC have resolved to transfer its 100% subsidiary KSSIPL (30,618,500 shares of INR 10 each) in favour of KSS Hungary as gift deed.

SEPARATE BALANCE SHEET

For the year ended December 31, 2012

*(before proposed appropriation of current year result)**In thousands of USD*

	Note	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Assets			
Fixed assets			
Financial fixed assets:			
Investments in subsidiaries	5	412,659	342,378
Loan to subsidiary	6	800	400
		<u>413,459</u>	<u>342,778</u>
Current assets			
Receivables:			
Investment in securities	7	535,000	485,000
Receivables group companies		65	2
Other receivables		137	21
		<u>535,202</u>	<u>485,023</u>
Cash and bank balances	8	23,569	14,748
Total assets		<u>972,230</u>	<u>842,549</u>
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital	9	26	26
Share premium		28,686	28,686
Legal reserve translation adjustment		(37,866)	(31,092)
Legal reserve revaluation		27,840	
Retained earnings		557,470	700,636
Result for the year		122,349	(147,538)
		<u>698,505</u>	<u>550,718</u>
Long term liabilities			
Loans	10	219,653	-
Current liabilities			
Loans		-	232,395
Payables group and affiliated companies		53,862	54,075
Other liabilities and accrued expenses		210	5,361
		<u>54,072</u>	<u>291,831</u>
Total equity and liabilities		<u>972,230</u>	<u>842,549</u>

The notes on pages 72 through 78 are an integral part of these consolidated financial statements.

SEPARATE PROFIT AND LOSS ACCOUNT**For the year ended December 31, 2012***In thousands of USD*

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Income subsidiaries after income taxes	5	69,931	61,364
Other income and expenses after income taxes		<u>52,418</u>	<u>(208,902)</u>
Net loss/profit after taxation		<u><u>122,349</u></u>	<u><u>(147,538)</u></u>

The notes on pages 72 through 78 are an integral part of these consolidated financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTSFor the year ended December 31, 2012

1. GENERAL**General**

KazStroyService Global B.V. ("the Company") was incorporated as a limited liability company under the laws of the Netherlands on February 11, 2009 and has its statutory seat in Amsterdam. The registered address of the Company is Strawinskylaan 411, 1077XX Amsterdam.

During the year 2011 a merger took place whereby in exchange of shares of the Company, subsidiaries of the shareholders' have been combined into a new business combination. A business combination is a "common control combination" if the combining entities are ultimately controlled by the same parties both before and after the combination, and the common control is not transitory.

As at December 31, 2012, the major shareholders' of the Company are KazStroyService Infrastructure B.V., the Netherlands, Fraseli Investments Sarl, Luxembourg, AT Holdings Europe B.V. (formerly named KazStroyService Holding B.V.), the Netherlands and ELQ Investors II Ltd, England.

Reporting currency

Due to the fact that the majority of the operations consist of US Dollar transactions, the Company has adopted the US Dollar as its functional and reporting currency.

Activities

The main activities of the Company are holding, managing and financing of group companies. The Group's principal activities are to undertake and execute engineering, procurement and construction projects through its operating subsidiaries in Kazakhstan, Middle East and India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**General**

The parent company financial statements of the Company are prepared in accordance with Part 9, Book 2 of the Dutch Civil Code, subsection 8 of section 362, Book 2, Dutch Civil Code, which allows companies that apply IFRS as adopted by the European Union in their consolidated financial statements to use the same measurement principles in their parent company financial statements. The Company has prepared these company financial statements using this provision and the accounting policies used, are described in Note 3 to the consolidated financial statements except for the measurement of investment in subsidiaries.

As the financial data of KazStroyService Global B.V. (the parent company) are included in the consolidated financial statements, the profit and loss account in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands civil Code).

The financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

Business combinations

A business combination is a "common control combination" if the combining entities are ultimately controlled by the same parties both before and after the combination, and the common control is not transitory. According to the management of the Company the relevant and reliable accounting policy for the Company and the Group is the pooling of interests method.

Under the pooling of interest method the following is applicable:

- The assets and liabilities of the subsidiaries are recorded at book value not fair value with related adjustments to achieve uniform accounting policies,
- The difference between the Company's cost of investment and the subsidiaries equity is directly charged/credited to equity,
- Comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

Investments in subsidiaries

Investments in subsidiaries are presented in the balance sheet based on their net asset value in accordance with the aforementioned accounting principles of the consolidated financial statements.

Changes in accounting policies

In 2011 the Company prepared consolidated financial statements for the first time, in accordance with IFRS as adopted by the European Union and the parent company uses the same measurement principles in its separate financial statements.

Consequently in 2011 the Company changed its accounting policy of the valuation of the investments in securities from cost price to market value as quoted at the relevant stock exchange.

3. EMPLOYEES

During 2012 and 2011, the Company had no employees.

In 2012 the remuneration of directors of the legal entity charged to the company and its subsidiaries or group companies was nil (2011: nil).

4. AUDITORS FEE

Expenses for services provided by the Parents Company's independent auditor, Ernst & Young Accountants LLP, and its member firms and/or affiliates to KazStroyService Global B.V. and its subsidiaries can be specified as follows:

In thousands of USD

	<u>2012</u>	<u>2011</u>
Audit fees	639	562
Audit related fees	24	16
Tax advisory fees	93	396
Other non-audit fees	15	72
	<u>771</u>	<u>1,046</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended December 31, 2012

5. INVESTMENT IN SUBSIDIARIES

The Company has the following directly and indirectly owned subsidiary companies as at December 31, 2012:

<i>Name</i>	<i>Registered office</i>	<i>Interest %</i>	
		2012	2011
Directly owned:			
KazStroyService Management Services Pte Ltd.	Singapore	100	100
KazStroyService Ltd.UK	London	100	100
KazStroyService Investment Pte Ltd.	Singapore	100	100
KazStroyService Hungary Kft.	Budapest	100	100
JSC OGCC KazStroyService	Almaty	100	100
KazStroyService Global Engineering B.V.	Amsterdam	100	100
Petron Engineering Construction Ltd	Mumbai	20	20
Indirectly owned:			
Petron Engineering Construction Ltd	Mumbai	52.47	52.47
KazStroy Engineering (UK) Limited	London	100	100
Petron Civil Engineering Private Limited	Mumbai	100	100
Petron Investments Private Limited	Mumbai	100	100
Amritha Sharanya Leasing and Investment Private Ltd.	Mumbai	100	100
SRA Finance & Investments Private Limited	Mumbai	100	100
Bhubaneshwar Expressways Private Limited	New Delhi	74	74
KazStroyService Infrastructure India Private Limited	New Delhi	100	100
Engineering and Procurement Services LLP	Almaty	100	100
KazStroy Engineering India Private Limited	New Delhi	100	100
Keppel Kazakhstan LLP, Kazakhstan	Aktau	50	50
JSC "PSN KazStroy 060011, Kazakhstan	Atyrau	50	50
ISKER KazStroyService LLP, Kazakhstan	Atyrau	50	50
Pipeline Service LLP, Kazakhstan	Almaty	50	-

In January 2013 Kazstroy Engineering (UK) Limited was voluntary liquidated.

The movements during the year can be specified as follows:

In thousands of USD

	2012	2011
Beginning of the year	342,378	320,590
Acquisition subsidiaries	-	18,326
Incorporation subsidiaries	-	11,579
Revaluation movements	32,212	-
Difference equity by transfer within the KSS group	-	(11,041)
Translation differences	(6,774)	(17,392)
Dividends	(25,088)	(41,048)
Result for the year	69,931	61,364
End of the year	412,659	342,378

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended December 31, 2012

6. LOAN TO SUBSIDIARY

In December 2011 the Company granted a loan to a subsidiary. The repayment date of the loan is on or before December 31, 2013. The loan bears an interest of 3 months LIBOR plus 1% and the interest shall be payable on the repayment date.

7. INVESTMENT IN SECURITIES

On November 6, 2009 the Company has entered into a Sale and Purchase and Investment agreement with Claremont Holdings Limited relating to the acquisition of 50 million global depository receipts ("GDRs") each representing one common unit in Zhaikmunai L.P at a price of four US Dollars (US \$4.00) per GDR. The GDRs are listed on the London Stock Exchange and the quotation as at December 31, 2012 amounts to USD 10.70 per GDR (December 31, 2011: USD 9.70). The transaction was completed at September 9, 2010 by KSS Global B.V. and was funded by issuance of loan notes with a compounded interest rate of 12%. This loan was replaced by a credit facility with a bank institution in January 2012

8. CASH AND BANK BALANCES

In thousands of USD

	2012	2011
Current accounts	569	2,748
Short-term deposits	23,000	12,000
	<u>23,569</u>	<u>14,748</u>

The funds maintained in the current account are freely available. Short term deposits mature respectively on January 9, 2013 (USD 8,000 thousand) and February 20, 2013 (USD 15,000 thousand).

9. SHAREHOLDERS' EQUITY

The shareholders' equity in the parent company financial statements equals the shareholders' equity presented in the consolidated financial statements. In accordance with the Netherlands Civil Code, legal reserves have to be established in certain circumstances. The currency translation reserve and revaluation reserve are legal reserves required by Dutch law.

If the currency translation reserve has a negative balance, distributions of reserves to the Company's shareholders are restricted.

Further included in the retained earnings is a legal reserve undistributed earnings joint ventures and associates for an amount of USD 49,283 thousand (December 31, 2011: USD 42,164 thousand) consisting of the cumulative share in income of joint ventures and associates less dividends received and adjusted for any direct equity movements of joint ventures and associates.

Share Capital

On March 29, 2011 the Company changed its articles of association and amended the authorized share capital. The authorized share capital of the Company amounts to EUR 90,000 and is now divided into 8,800,000 A shares and 200,000 B shares of EUR 0.01 each. Further on May 19, 2011 the Company issued 33,334 A shares and 166,666 B shares of EUR 0.01 each.

As at December 31, 2012 1,833,334 A shares and 166,666 B shares of EUR 0.01 each are issued and paid in (December 31, 2011: 1,833,334 A shares, 166,666 B shares of EUR 0.01 each). In the financial statements, the issued and fully paid-in capital of EUR 20,000 (2011: EUR 20,000) is translated into US Dollars using the year-end exchange rate of EUR 1 = USD 1.3194 (2011: EUR 1 = USD 1.2939).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended December 31, 2012

10. LOANS

On September 9, 2010 the Company received a loan in the form of loan notes from Claremont Holding Ltd. for an amount of USD 200,000 thousand. The initial maturity was for three years, and interest rate was 12% payable annually. The loan notes and the interest have been repaid in January 2012.

	2012
Loan amount	232,395
Repayment	(232,395)
	<u>-</u>

On October 12, 2011 the Company concluded a Credit Agreement with a bank institution whereby a loan facility of up to USD 200,000 thousand and a revolving credit facility of up to USD 20,000 thousand was granted. As at 31 December 2011 no amounts were withdrawn.

The Company draw USD 200,000 thousand of the loan facility and USD 10,000 thousand of the revolving credit facility in January 2012 and used it to repay the before mentioned loan notes and interest thereon.

The movements can be specified as follows:

In thousands of USD

	2012
Loan amount	221,845
Less:	
Issuance costs	(3,692)
Amortization issuance costs	1,500
	<u>(2,192)</u>
	<u>219,653</u>

The interest rate on the (revolving) credit facility is Libor + 3.5 % payable quarterly. The repayment date of the loans is 12 October 2014.

A subsidiary of the Company and other related companies have issued guarantees concerning before mentioned facilities and further the GDR's issued by the partnership Zhaikmunai L.P. and owned by the Company are pledged as security.

The Company should also comply with several financial covenants.

11. COMMITMENTS AND CONTINGENCIES

The parent company has given a guarantee to other parties in relation to one of its subsidiaries whereby the Company guarantees the performance by this subsidiary of all the obligations under the concluded agreement to the other parties.

Director

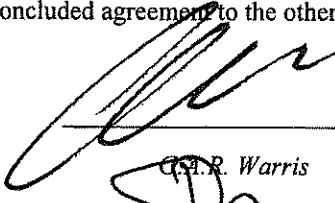
Director

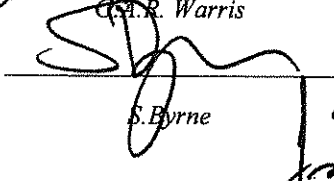
Director

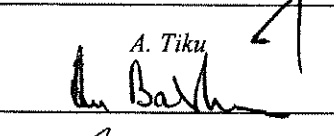
Director

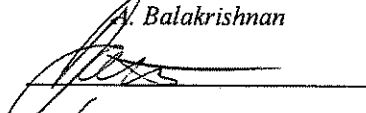
Director

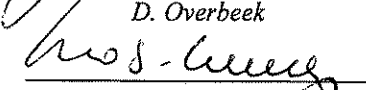
Director



G.S.R. Warris


S. Byrne


A. Tiku


A. Balakrishnan


D. Overbeek


P. Oosthoek

OTHER INFORMATIONFor the year ended December 31, 2012

OTHER INFORMATIONIndependent auditor's report

Reference is made to the auditor's report as included hereinafter.

Appropriation of result for the financial year 2011

The annual report 2011 was approved by written resolutions of the shareholders dated 11 December 2012. In accordance with Dutch law and the relevant provisions of a company's articles of association, a company may approve its annual accounts by written resolution instead of holding a general meeting.

Statutory rules concerning appropriation of the profit

According to Paragraph 23 of the articles of Association, the profit for the year is at the disposal of the General Meeting of Shareholders. The holders of A shares are entitled to 96.6667% of the profits of the Company and the holders of B shares are entitled to 3.3333 % of the profits of the Company. The holders of A shares and B shares respectively are entitled to said percentage of the profits of the Company pro rata to their respective nominal shareholdings of A shares and B shares.

Proposed appropriation of the result for 2012

Management proposes to add the profit for the year 2012 amounting to USD 122,349 thousand to the retained earnings.

Subsequent events

As at February 2013 the Honorable Bombay High Court has approved the Scheme of Amalgamation of Petron Civil Engineering Private Limited, Petron Investments Private Limited, Amritha Sharanya Leasing and Investments Private Limited and SRA Finance and Investments Private Limited with KazStroyService Infrastructure India Private Limited and their respective shareholders and creditors, and hence creating a consolidated India operation for all of its unlisted activities in EPC and construction segments. The Court's approval has been filed with Registrar of Companies in India on March 28, 2013.

As at February 15, 2013, 25% of shares in OGCC KazStroyService JSC were transferred at cost to KazStroyService Hungary Kft (KSS Hungary).

On March 29, 2013 the shareholders of OGCC KazStroyService JSC have resolved to transfer its 100% subsidiary KSSIIPL (30,618,500 shares of INR 10 each) in favour of KSS Hungary as gift deed.

Independent auditor's report

To: the shareholders and management of KazStroyService Global B.V., Amsterdam.

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2012, of KazStroyService Global B.V., Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statements of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to consolidated financial statements, comprising a summary of the significant accounting policies and other explanatory information. The separate financial statements comprise the separate balance sheet as at 31 December 2012, the separate profit and loss account for the year then ended and notes to the separate financial statements, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of KazStroyService Global B.V. as at 31 December 2012, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of KazStroyService Global B.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 11 April 2013

Ernst & Young Accountants LLP

signed by J.J. Vernooij

[Handwritten signature]

Пронумеровано и
пронумеровано
На 81 листах

