

Sat & Company JSC

**Explanatory Notes to the Consolidated Financial Statements
in accordance with International Financial Reporting
Standards**

For the year ended 31 December 2012

1 The Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2012 for SAT & Company JSC (the "Company") and its subsidiaries (together referred to as the "Group").

Corporate background

The Company was incorporated on 18 October 2001 as a limited liability partnership and on 15 August 2006 the Company was re-registered as a joint stock company in accordance with the Kazakhstani legislation.

The Company's common and preference shares and coupon bonds are placed at Kazakhstan Stock Exchange ("KASE"). The Company's common and preference shares are included in the KASE first category shares list; bonds are included in the KASE non-rated first subcategory debt securities list.

The Company's shareholders

At 31 December 2012 and 2011 the Company's common shareholders were:

	<u>31 December</u> <u>2012</u>	<u>31 December</u> <u>2011</u>
Mr. Rakishev Kenges Khamituly	49.05%	51.59%
SFK KOR Invest LLP	23.49%	-
Pension saving funds	17.31%	23.68%
MAC ALIANS LLP	-	22.48%
Others	10.15%	2.25%
Total	<u>100.00%</u>	<u>100.00%</u>

The Company's ultimate controlling party is Mr. Kenges Rakishev.

Principal activity

Prior to 2009 the Group's activities were significantly diversified; the Group was engaged in mechanical engineering, construction, transportation, logistics and other industries.

In 2008, the Group's shareholders defined the metallurgy and mining industries as the priority ones for the Group's operations. Accordingly, since 2009 the Group successively made a number of strategic acquisitions in the metallurgy and mining industries (Note 5). In addition to that the Group disposed certain entities which did not represent the Group's core operations.

Main subsidiaries, joint ventures and associates

The following list shows the Group's subsidiaries, joint ventures and associates, and the percentage of the ownership held directly or indirectly by the Company in these companies (the Company's ownership percentage in brackets):

Shalkiya Zinc N.V. ("Shalkiya Zinc NV") (98.13%): an entity incorporated in the Netherlands, and representing a holding company which has 100% interest in charter capital of ShalkiyaZinc Ltd LLP ("Shalkiya Zinc Ltd"). The principal activity of Shalkiya Zinc Ltd is exploration, extraction and complex processing of lead-zinc ore at Shalkiya and Talap fields located in Kyzylorda oblast. At 30 January 2012 the Group purchased 4,206,664 shares of Shalkiya Zinc NV from its minority shareholders for 91,055 thousand tenge, thereby increasing its shares to 98.13%.

Central Asian Investing Consulting Company LLP ("CAICC") (100%): an entity incorporated in the Republic of Kazakhstan, and representing a holding company

Taraz Metallurgy Plant LLP ("TMP") (100%): an entity incorporated in the Republic of Kazakhstan. TMP's main activity is production of ferroalloy products for metallurgy industry on the basis of metallurgy plant located in Taraz, Zhambyl oblast.

Taraz Electrode Plant LLP ("TarEP") (100%): an entity incorporated in the Republic of Kazakhstan. TarEP's main activity is production and sale of electrode paste and repair masses. TarEP was established in October 2011 on the basis of electrode mass production workshop of TMP.

1 The Group and its Operations (continued)

AXEM INVESTMENT LLP ("AXEM INVESTMENT") (100%): an entity incorporated in the Republic of Kazakhstan and its main activity is development and integration of environmentally friendly technologies on processing of phosphorus-containing slimes; improvement of technological processes in the field of production of new types of mineral fertilizers on a source of raw materials of phosphorus-containing slimes with receiving the granulated and powdery mineral fertilizers.

Aman 100 LLP ("Aman 100") (100%): an entity incorporated in the Republic of Kazakhstan and engaged in production of manganese ore at the West Kamys field in Karaganda oblast with further processing and sale of manganese concentrate to TMP.

Saryarka Mining LLP ("Saryarka Mining") (80%): an entity incorporated in the Republic of Kazakhstan and engaged in exploration and further production of ferromanganese ore at Tuyebay-Syurtysu field in Karaganda oblast.

KARUAN LLP ("KARUAN") (50%): a subsidiary incorporated in the Republic of Kazakhstan and engaged in exploration of manganese ore at Aitkokshe field in Mangistau oblast.

Trade House SAT LLC ("TH SAT") (100%): an entity incorporated in the Russian Federation in 2011 and engaged in marketing of ferroalloy products of TMP and other third-party metallurgy companies in the Russian Federation and former CIS countries.

SAT&Co Holding A.Ş. ("SAT&Co Holding") (97.73%): an entity incorporated in Turkey, main activity of which is an exploration of chrome ores. SAT&Co Holding is a holding company which at 31 December 2010 held 100% interests in SAT&Co Madencilik İşl. Tic. A.Ş. ("SAT&Co Madencilik"), a holder of chrome exploration licenses, as well as Denizli Madencilik İşl. Tic. A.Ş. ("Denizli Madencilik") and Sivas Madencilik İşl. Tic. A.Ş. ("Sivas Madencilik") which were the operators at these fields carrying out exploration and evaluation operations. In 2011, Denizli Madencilik and Sivas Madencilik were merged with SAT&Co Madencilik.

Mining Company SAT Komir LLP ("SAT Komir") (100%): an entity incorporated in the Republic of Kazakhstan and engaged in production of brown coal at Kumyskuduk site of Verkhnesokurskoe field in Karaganda oblast of the Republic of Kazakhstan.

Ertis Feronickel Plant ("FNP Ertis") (51%): an entity incorporated in the Republic of Kazakhstan and engaged in development of the project on processing of cobalt and nickel ores of Gornostayevskoye field. FNP Ertis owns 100% interest in charter capital of Kaznickel LLP.

Kaznickel LLP ("Kaznickel") (51%): an entity incorporated in the Republic of Kazakhstan and engaged in exploration of cobalt and nickel ores at Gornostayevskoye field located in the Eastern Kazakhstan oblast.

Temirtau Electrode Metallurgical Plant JSC ("TEMP") (75.45%) the company incorporated in the Republic of Kazakhstan which primary activity is production of ferroalloy production for metallurgical branch, on the basis of the steel works located in Temirtau, the Karaganda region.

Kazakhstan Petrochemical Industries Inc. LLP ("KPI") (49%): an associate incorporated in the Republic of Kazakhstan and engaged in construction and establishment of an integrated chemical gas complex in the Western Kazakhstan which includes construction of the complex for production of polypropylene (phase 1) and construction of the complex for production of polyethylene (phase 2). As at 31 December 2010 the Group owned 49% interest in KPI's charter capital (1 January 2010: 25%).

KLPE LLP ("KLPE") (25%): a joint venture incorporated in the Republic of Kazakhstan in the special economic zone the "National Industry Petrochemicals Technology Park" in Atyrau oblast. KLPE was established by the Group in 2011 and did not have significant operations in 2011. Principal activity of KLPE includes fulfilment of the second phase of the integrated chemical gas complex in the Western Kazakhstan (production of polyethylene). In 2011, the Group sold the right to participate in this joint venture to LG Chem. Ltd. ("LG Chem") (Note 12). In December 2012 Ammonia production and distribution LLP was renamed to KLPE LLP.

Kazgeocosmos JSC ("Kazgeocosmos") (38.22%): an associate incorporated in the Republic of Kazakhstan and engaged in aerospace monitoring of natural sites and industrial facilities.

Other entities: various entities not involved in significant operations, and which are not material for the Group as a whole.

In 2011, the Group ceased consolidation of Jinsheng SAT (Tianjin) Commercial Trading Co. Ltd. ("Jinsheng SAT"), an entity incorporated in the People's Republic of China of which the Group holds 51% interest (31 December 2011: 51%).

In 2012 the Group sold the share (50%) in SAT Trade, the subsidiary registered in the Republic of Kazakhstan and its main activity is purchase and processing of crude oil at Atyrausky oil refinery and realization of oil products.

On December 30, 2012 the Group signed an agreement on sale of a controlling interest in SAT Komir. As of December 31, 2012 the Group did not sale SAT Komir as the Group did not receive necessary coordination and permissions in authorized government bodies.

On March 1, 2012 the Group sold 25% shares in Ammonia P&D to the United Chemical Company LLP, which is subsidiary of National Welfare Fund Samruk-Kazyna JSC, at the price, approximately equal to net book value of investment into this joint venture.

Subsurface use contracts

The Group operates in the Republic of Kazakhstan in accordance with the following subsurface use contracts:

<u>Contractual area</u>	<u>Current stage</u>	<u>Mineral resource</u>	<u>Signing date</u>	<u>Expiration date</u>	<u>Entity</u>	<u>Share</u>
Gornostayevskoye	Exploration	Nickel	26 February 2004	26 February 2026	Kaznickel	51%
Kumyskuduk Verkhneskurskoe	Production	Coal	26 June 2001	26 June 2026	SAT Komir	100%
Shakiya	Production	Zinc	31 May 2002	31 May 2046	Shakiya Zinc Ltd	90%
Talap	Exploration	Zinc	15 December 2004	15 December 2024	Shakiya Zinc Ltd	90%
Western Kamys	Exploration/production	Manganese	14 May 2001	14 May 2020	Arman 100	100%
Aitkokshe	Exploration	Manganese	30 July 2008	30 July 2013	KARUAN	50%
Tuyebay-Syurtysu	Exploration / production	Ferro-manganese	8 May 2008	8 May 2037	Saryarka Mining	80%
Bogach	Exploration / production	Manganese	4 September 2009	4 September 2024	TEMP	75.45%
Esymzhal	Exploration / production	Manganese	10 November 2000	10 November 2025	TEMP	75.45%
Yuzhno-Toparskoe	Production	Flux limestone	2 July 1995	2 July 2016	TEMP	75.45%

The Group is also involved in exploration of chrome ores in Turkey in accordance with 17 exploration and production licenses with expiry dates varying from March 2012 to November 2020.

Registered address and place of business

The registered address of the Company's head office is 241, Mukanov Street, Almaty, the Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from these estimates.

Going concern

These consolidated financial statements were prepared in accordance with the IFRS on the basis of going concern principle which assumes the realisation of assets and settlement of liabilities in the normal course of business in the foreseeable future. Uncertainties related to the events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern are presented in Note 4.

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are those companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases.

The purchase method of accounting is used by the Group to account for the acquisition of subsidiaries other than those acquired from parties under common control. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. When there is no predecessor the financial statement carrying amounts of the acquired entity are used. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for in these consolidated financial statements as an adjustment to other reserve within equity.

(iii) Purchase and sale of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iv) Joint ventures

The Group's shares in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Carrying value of interests in joint ventures includes goodwill identified in the acquisition less accumulated impairment loss, if any. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. Other post-acquisition changes in Group's share of net assets of joint ventures are recognised as follows: (i) the Group's share of profits or losses of joint ventures is recorded in the consolidated profit or loss for the year as share of result of joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii), all other changes in the Group's share of the carrying value of net assets of joint ventures are recognised in profit or loss within the share of result of joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) Investments in associates

Associates are entities over which the Company has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vi) Disposal of subsidiaries, joint ventures and associates

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

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

Foreign currency translation

(i) Functional currency and presentation currency

All amounts in the consolidated financial statements are stated in thousands of Tenge, unless stated otherwise.

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries, except for the SAT&Co Holding and TH SAT is Tenge. Functional currencies of SAT&Co Holding and TH SAT are Turkish Lira and Russian Rouble, respectively.

The results and financial position of each group entity, the functional currency of which is not presentation currency of the financial statements, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;
- income and expenses are translated at average exchange rates for the respective periods (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 dates of the transactions);
- components of equity are translated at the historic rate; and
- all resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation is lost, the previously recognised exchange differences on translation to a different presentation currency are reclassified from other comprehensive income to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

(ii) Operations and balances in foreign currency

Transactions in foreign currencies are translated into functional currency at the official exchange rate on the date of the transaction. Gains or losses from exchange rate differences resulting from the settlement of such transactions, as well as the translation of foreign currency denominated monetary assets and liabilities at exchange rates at year-end profit or loss for the year. Principal exchange rates used to translate foreign currency balances are presented below:

	2012	2011
<i>US Dollar</i>		
Period-end exchange rate	150.74	148.40
Average exchange rate for the period	149.11	146.62
<i>Russian Rouble</i>		
Period-end exchange rate	4.96	4.61
Average exchange rate for the period	4.80	5.00
<i>Turkish Lira</i>		
Period-end exchange rate	84.31	77.53
Average exchange rate for the period	82.89	87.86

Exchange restrictions and currency controls exist relating to conversion of Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of direct construction overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit and loss for the reporting period as incurred. Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss for the year within other operating income or expenses.

Mining assets are carried at cost less accumulated amortisation and less any impairment losses, if required. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, as well as the costs to conduct mining-construction, mining-capital and mining preparation works during the development or mine reconstruction phase, are capitalised to mining assets.

(ii) Depreciation

Land is not depreciated. Mining assets are depreciated using the unit-of-production method based on estimated economically viable recoverable reserves to which they relate. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values. Each item's estimated useful life depends on its own useful life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located.

Estimated useful lives are presented in the table below:

	<u>Useful lives (in years)</u>
Buildings and constructions	5-50
Machinery and equipment	4-25
Vehicles	5-10
Other	3-15

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

(iii) Impairment

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

(vi) Stripping costs

Stripping (i.e. overburden and other waste removal) costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised using unit of production method over the useful lives of the mine.

Subsequent stripping costs incurred during the production stage are capitalised and gradually expensed in cases when such costs are material, and such accounting treatment represents the most reliable basis for matching expenses and related economic benefits, generally in case of significant fluctuations of stripping costs during the useful life of the mine. Amount of capitalised and expensed stripping costs is determined based on the ratio of extracted waste and ore volume (stripping ratio).

Exploration and evaluation assets

(i) Initial recognition and subsequent measurement

Exploration and evaluation assets are measured at cost less provision for impairment, where required.

Exploration and evaluation assets include the cost of subsurface use (exploration) rights, capitalised expenditures on drilling of exploratory wells, cost of support equipment and facilities, geological and geophysical studies, stripping costs, as well as production and other general overhead costs that are directly attributable to the exploration fields. Production and other general overhead costs capitalised within exploration and evaluation assets include salaries of personnel involved in the exploration and evaluation activities and other overhead costs directly related to exploration and evaluation activities.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral reserve is demonstrable. Once commercial reserves are found, exploration and evaluation assets are transferred to development tangible and intangible assets (within property, plant and equipment and intangible assets) and amortised using the unit-of-production method based on proved and probable mineral reserves.

(ii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Group for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate assets' impairment. An impairment loss is recognised for the amount by which exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

One or more of the following facts and circumstances indicate that the Group should test its exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral reserves in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral reserves in the specific area have not led to the discovery of commercially viable quantities of mineral reserves and the Group has decided to discontinue such operations in the specific area;
- sufficient data exists to indicate that, although development works in the specific area are likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full resulting from efficient development or by sale.

For the purpose of assessing impairment, the exploration and evaluation assets subject to impairment testing are grouped by projects.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit which is retained.

Intangible assets

The Group's other intangible assets have definite useful lives and primarily include capitalised computer software and subsurface use rights (extraction of mineral resources). Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use and is amortised on a straight line basis over useful lives estimated by the management at 3 to 5 years. Subsurface use rights are amortised over the term of the relevant subsurface use contracts.

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

Finance instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

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

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

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

(ii) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets and (c) financial assets held to maturity.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets.

Held-to-maturity investments include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(iii) Classification of financial liabilities

Financial liabilities of the Group include financial liabilities carried at amortised cost.

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value less transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

(vi) Available-for-sale investments

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost. For such instruments, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(vii) Held-to-maturity investments

Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any provision for incurred impairment losses.

(viii) Offsetting

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

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or other financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

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

Prepaid taxes are recorded at amounts actually paid less provision for impairment.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period. Non-current recoverable VAT is measured at discounted value. Discounted value is determined based on estimated dates and the amount to be offset.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at amortised cost using the effective interest rate method. Restricted balances are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale and disposal groups' if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current reporting period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the consolidated statement of financial position.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares which carry a mandatory coupon are classified as financial liabilities and are presented in other non-current liabilities. The dividends on these preference shares are recognised as interest expense on an amortised cost basis using the effective interest method.

Dividends

Dividends are recognised as a liability and are deducted from equity at the end of reporting period only if they are declared before or at the end of reporting period. Dividends are disclosed when they are proposed before the end of reporting period or proposed or declared after the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Site restoration provision

Site restoration provision includes the landfill site restoration and closure (dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas). Estimated landfill site restoration and closure provisions are formed and recorded in the cost of property, plant and equipment in the accounting period when the obligation from the related disturbance arises, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Site restoration provisions do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure and restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations.

Landfill site restoration and closure costs are a normal consequence of mining, and the majority of landfill site restoration and closure expenditure is incurred during the life of the mine. Although the ultimate cost to be incurred is uncertain, the Group estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period. The amortisation of the discount is shown as a finance cost.

Other movements in the provisions for mining assets and waste polygons retirement obligations, resulting from new disturbance as a result of mine development, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets. Movements in the provisions for asset retirement obligations that relate to disturbance caused by the production phase are charged to profit or loss for the year.

Where restoration and remediation works are conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous remediation work at each balance sheet date and the cost is charged to the profit and loss for the year.

Obligation on payment of commercial discovery bonus and reimbursement of historical costs

The Group recognises the obligation on payment of commercial discovery bonus and reimbursement of historical costs on those contracts for which the commercial discovery is highly probable and commercial feasibility of capital investments and further development and production of mineral resources are proved. Management's estimates of probability of commercial discovery are based on results of exploration, test production and evaluation of mineral resources reserves by independent engineers. Commercial discovery bonus and historical costs are initially recognised as part of subsurface use rights included to intangible assets or exploration and evaluation assets.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. When the Group issues a premium-free guarantee or a guarantee at a premium different from market premium, fair value is determined using valuation techniques (e.g. market prices of similar instruments, interest-rate differentials, etc). This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other operating income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to costs or losses already incurred or for the purpose of immediate financial support to the entity without any future costs to be incurred, are recognised as income in the period when the compensation is to be received.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost; the difference between the proceeds amount (net of transaction costs) and the redemption amount is recognised in the profit or loss during the period of the borrowing using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

In accounting for loans from related parties with non-market terms, the Group records gain on origination in profit or loss for the year or directly in equity as a capital contribution. The method used reflects the transaction's economic substance. It is applied consistently to all similar transactions and disclosed in the consolidated financial statements.

Borrowing costs that are 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 (a qualifying asset) are capitalised.

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

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

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Operating lease

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

Employee benefits

(i) Long-term employee benefits

The Group entities provide long term employee benefits to employees before, on and after retirement, in accordance with their general labour agreements. The agreements provide for one-off retirement payments, financial aid in case of employees' disability, anniversaries, birth of child and death employees of the Group. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans. The Group does not have any funded post-employment plans. Liability recognised at each reporting date represents the present value of the plan liabilities. Actuarial gains and losses arising during the year are charged to the profit and loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of the plan liabilities are also recognised in the consolidated statement of comprehensive income, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and employees turnover. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as an interest cost. The employees turnover assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits are considered as other long-term employee benefits. These obligations are valued annually by independent qualified actuaries.

(ii) Payroll expense and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. Such payments are expensed as incurred. Upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

Revenue recognition

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

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

Proceeds from sales of minerals produced during the test production stage are not recognised in profit or loss for the year as revenues, but are credited against cost of exploration and evaluation assets.

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Income tax

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

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

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

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs, added to the cost of property plant and equipment, and site restoration provision, the Group allocates the future tax deductions to the liabilities. Under this approach the initial recognition exemption does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the site restoration provision.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other

rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Earnings per share

Preference shares are considered to be participating shares. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

3 New Accounting Pronouncements

(i) Standards, amendments and interpretations effective from the current period

In the current period the Company adopted the following standards and amendments:

- IAS 12 Income Taxes – Amendments of limited character (compensation of basic assets) (Applicable to annual periods beginning on or after 1 January 2012);
- IFRS 1 first-time Adoption of International Financial Reporting Standards – Removal of fixed dates for first-time adopters (Applicable to annual periods beginning on or after 1 July 2011)
- IFRS 1 first-time Adoption of International Financial Reporting Standards – Additional exemption for those entities which stopped occurring severe hyperinflation (Applicable to annual periods beginning on or after 1 July 2011);
- IFRS 7 Financial Instruments: Disclosures – additional disclosures related to transfer of transactions of financial assets (Applies to annual periods beginning on or after 1 July 2011);

(ii) Standards and interpretations issued, but not applied

At the financial statement date the following standards and interpretations were issued but not applied:

- Amendments to IAS 1 Presentation of Financial Statements related to revising of the way other comprehensive income is presented (Applicable to annual reporting periods beginning on or after 1 July 2012);
- Amended IAS 19 Employee Benefits (Applicable to annual reporting periods beginning on or after 1 January 2013);
- IAS 27 Consolidated and Separate Financial Statements amended as IAS 27 Separate Financial Statements (Applicable to annual reporting periods beginning on or after 1 January 2013);
- IAS 28 Investments in Associates amended as IAS 28 Investments in Associates and Joint Ventures (Applicable to annual reporting periods beginning on or after 1 January 2013);
- Amendments to IAS 32 Financial Instruments: Presentation – related to offset of financial assets and liabilities (Applicable to annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – related to accounting of government loans with a below-market rate of interest when transitioning to IFRSs (Applicable to annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 Financial Instruments: Disclosures - additional disclosures related to offsetting of financial assets and liabilities (Applies to annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 Financial Instruments: Disclosures - to require information about first time adoption of IFRS 9 (Applicable to annual reporting periods beginning on or after 1 July 2015);
- IFRS 9 Financial Instruments (Applicable to annual reporting periods beginning after 1 January 2015);
- IFRS 10 Consolidated Financial Statements (Applicable to annual reporting periods beginning after 1 January 2013);
- IFRS 11 Joint Arrangements (Applicable to annual reporting periods beginning after 1 January 2013);
- IFRS 12 Disclosure of Interests in Other Entities (Applicable to annual reporting periods beginning after 1 January 2013);
- IFRS 13 Fair Value Measurement (Applicable to annual reporting periods beginning after 1 January 2013);
- Amendments to IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities related to investing companies (Applicable to annual reporting periods beginning after 1 January 2014);
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities related to transitioning issues;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (Applies to annual periods beginning on or after 1 January 2013);
- Amendments to several existing standards and interpretations, issued by IFRS Committee, within yearly framework (2009-2011), to improve existing International Standards of Financial Statements. The current amendments relates to interpretation and presentation of financial statements, recognizing and valuation. New framework applies to annual periods beginning on 1 January 2013.

If it is not mentioned above these new standards and interpretations do not affect significantly to the current consolidated financial statements of the Group.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

Going concern

As at 31 December 2012 most of the Group's subsidiaries are at the exploration, evaluation or early development stage (Note 1). Successful completion of the exploration and evaluation stage as well as further development of mine fields until commencement of commercial production and reaching production levels sufficient to cover incurred costs requires significant financial investments.

These factors indicate existence of a significant uncertainty which may cast doubt on the Group's ability to continue as a going concern, and accordingly, its ability to realise its assets and settle its liabilities in ordinary course of business. These consolidated financial statements do not include the adjustments of carrying amounts of assets and liabilities, revenue and expenses, as well as classifications in the statement of financial position which can arise due to this uncertainty, and these adjustments can be material.

Management assumes that the Group will continue as a going concern, and in making such judgment management considered current plans, financial position and access to financial resources of the Group. In particular, the following factors are considered in the assessment of the Groups' ability to continue as a going concern:

- In June 2011, two pre-smelting furnaces with annual output capacity of 36 thousand tonnes of ferrosilicon manganese were put into operation at TMP after reconstruction, which enabled to increase aggregate annual production capacity of the entity to 100 thousand tonnes of ferroalloys. During the year the Group undertook a number of measures to optimise auxiliary processes and to reduce costs in order to increase production efficiency at the entity.

In 2013-2014, management plans to construct two new furnaces and reconstruct two existing furnaces which will enable to increase aggregate annual production capacity of TMP to 200 thousand tonnes of ferrosilicon manganese. Capital investments required to increase capacity of the plant amount to approximately Tenge 7.6 billion. Investments are partially financed by borrowings obtained from SB Sberbank of Russia JSC. Currently the Group considers additional sources of funding for implementation of the investment program.

- In 2011, the Group commenced construction of the processing plant at West Kamys field. Projected annual production capacity of the plant is 250 thousand tonnes of manganese concentrate with manganese content not less than 38%, which will enable to fully secure the demand of TMP in manganese raw materials. Completion of construction of the plant and commencement of production is expected at the beginning of 2014. Expected cost to complete construction approximates Tenge 780 million.

In 2011, the Group commenced works to shift the section of the public road intersecting West Kamys field, in order to expand the field and to further develop manganese ore reserves. Expected cost to complete the shift of the road approximates Tenge 850 million.

These projects are partially financed by borrowings obtained from Sberbank of Russia. Currently the Group considers additional sources of funding for implementation of the investment program.

- Management considers the estimated recoverable reserves of manganese ores at Tuyebay-Syurtysu and Aitkokshe contract areas as significant. Currently, operations at these contractual areas are at exploration stage with test production.
- In 2011, the State Mineral Resources Reserve Commission of the Republic of Kazakhstan approved the feasibility study of Gornostayevskoye field ore quality requirements. FNP Ertis engaged reputable international companies into development of nickel ore processing technology. In 2011, Wardell Armstrong International prepared an expert conclusion on Gornostayevskoye field, which evidences high probability of economic feasibility of the project. Currently, Wardell Armstrong International is at the completion stage of the Bankable Feasibility Study.

Estimated reserves of cobalt-nickel ores at Gornostayevskoye field are considered sufficient to cover previously incurred costs, expected future costs of completion and to generate sufficient profit.

Projected construction cost of ferronickel plant (Phase 1) with annual processing capacity of 500 thousand tonnes of cobalt-nickel ore and production of 2,500 thousand tonnes of nickel approximates US Dollar 105 million. Currently the Group considers additional sources of funding for implementation of design, preparation and infrastructure works on this project.

- During 2011, the Group successfully completed restructuring of the borrowings from BTA Bank JSC as a result of which repayment term was extended for 3 years and interest rate decreased from 16% to 7.5% (Note 20).
- The number of unplaced common shares is 2,124,281,278 shares with average market price of tenge 64 per share. When necessary the Group plans to realise these instruments via additional placement.
- Management also considers other alternative options for raising long-term financing at favourable terms for its investment projects purposes.

Management believes that the Group will have sufficient financing to complete aforementioned exploration, evaluation and development works and other capital projects and start commercial production at contractual areas within the expected timeframe, and therefore can continue its operations as a going concern in the foreseeable future within at least next 12 months.

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of non-financial assets: property plant and equipment, exploration and evaluation assets and intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of management's estimates and judgments which are deemed appropriate under the current circumstances.

In accordance with the accounting policy for the purpose of impairment test assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). For the purpose of assessing impairment indications and, if necessary, for performing impairment test management identified the following main cash-generating units:

<u>Cash generating unit</u>	<u>Entity (segment)</u>	<u>Description</u>	<u>Type of non-financial assets</u>	<u>Carrying amount</u>
TMP	TMP (ferroalloys)	Production of ferroalloys and other materials for metallurgy sector	Property, plant and equipment	11,177,753
West Kamys	Arman 100 (manganese)	Extraction of manganese ore at West Kamys field	Property, plant and equipment and intangible assets	2,087,041
Shalkiya	Shalkiya Zinc Ltd (zinc)	Lead-zinc field Shalkiya	Property, plant and equipment	20,426,811
Kumyskuduk Verkhnesokurskoe	SAT Komir (coal)	Extraction of brown coal	Property, plant and equipment	2,166,678
Gornostayevskoye	Kaznickel / FNP Ertis (nickel)	Exploration of cobalt-nickel ore at Gornostayevskoye field	Property, plant and equipment and exploration and evaluation assets	1,950,744
Sivas	SAT&Co Holding (chrome)	Exploration of chrome ore in Sivas region	Exploration and evaluation assets	1,267,972
Denizli	SAT&Co Holding (chrome)	Exploration of chrome ore in Denizli region	Exploration and evaluation assets	658,566
Tuyebay-Syurtysu	Saryarka Mining (manganese)	Exploration of manganese ore at Tuyebay-Syurtysu field	Exploration and evaluation assets	8,834
Aitkokshe	KARUAN (manganese)	Exploration of manganese ore at Aitkokshe field	Exploration and evaluation assets	92,007

TMP

During 2011, the selling price of ferrosilicon manganese declined as a result of a wider decline in market prices for manganese products. Furthermore, forecasted volumes for 2012 and 2013 declined as compared to forecasted figures expected at the beginning of 2012. The main reason for decline of forecasted volumes is insufficient volume of concentrate with manganese content necessary to maintain economically feasible production of ferroalloys. As a result, as of 31 December 2012 two out of four furnaces were suspended. Management considered these factors as indications of possible impairment of non-financial assets of TMP and conducted an impairment test as of 31 December 2012.

The recoverable amount of non-financial assets of TMP as of 31 December 2012 was determined based on value in use calculation. In performing this calculation management used pre-tax cash flow projections based on the strategic planning models and operating budgets of TMP, modified as appropriate to meet the requirements of IAS 36, and approved by management. Estimates of future cash flows do not include amounts expected to arise from the reconstruction, enhancement or further betterment of TMP furnaces.

Principal assumptions having a significant impact on projected future cash flows include expected ferroalloys price, demand for the products and production costs. Ferrosilicon manganese prices were projected applying respective growth indices to prices on existing contracts. Management determined that forecasted demand for products which was based on the expectations of market development would enable the Group to utilise full capacity of TMP. Cost of manganese concentrate was projected based on median prices from publicly available broker forecasts for the year 2012 and applying production price index as a growth rate. Other production costs are projected based on past performance and existing contracts.

Cash flows were discounted applying annual pre-tax interest rate of 15.44% which was based on the weighted average cost of capital of the Group adjusted for risks specific to TMP.

As a result of the impairment test management determined existence of impairment of the non-financial assets of TMP in the amount of 2,968,000 thousand tenge as of 31 December 2012.

West Kamys

In 2011, the Group commenced construction of the processing plant aimed to increase manganese content in concentrate, the end product of this cash-generating unit. Production of the higher content manganese concentrate will enable to increase its sales price. Construction of the plant commenced later than management had originally anticipated due to delays in obtaining approval from the state authorities and in obtaining the necessary financing. Management concluded that this fact along with decrease in prices for manganese concentrate as a result of a wider decline in market prices for manganese products is an indication of possible impairment of non-financial assets of the cash-generating unit and conducted an impairment test as of 31 December 2012.

The recoverable amount of non-financial assets of the West Kamys cash-generating unit was determined based on value in use calculation. In performing this calculation management used pre-tax cash flow projections based on the strategic planning models and operating budgets of Arman 100, modified as appropriate to meet the requirements of IAS 36, and approved by management.

Principal assumptions having a significant impact on forecasted future cash flows include forecast of manganese concentrate prices, forecasted demand for products, production costs and capital expenditures which the Group has contractually committed. Manganese concentrate prices were projected based on median prices from publicly available broker forecasts for the year 2013 and applying production price index as a growth rate. Forecasted demand for products was determined based on the expectations of ferroalloys market development. Production costs and committed capital expenditures are projected based on past performance and existing contracts.

Cash flows were discounted applying annual pre-tax interest rate of 15.44% which was based on the weighted average cost of capital of the Group adjusted for risks specific to the cash-generating unit.

As a result of the impairment test management determined existence of impairment of non-financial assets of the West Kamys cash-generating unit in the amount of 451,441 thousand tenge as of 31 December 2012.

Management conducted a sensitivity analysis of value in use to changes of principal assumptions applied in the impairment test and concluded that reasonably possible change in one or more key assumptions would not result in the recoverable amount of assets of this cash-generating unit being less than their carrying amount.

Shalkiya

Property, plant and equipment of this cash-generating unit were measured at fair value at the acquisition date by an independent professional appraiser. Fair value of property, plant and equipment was measured taking into account the recoverability of these assets using the discounted cash flows method. At 31 December 2012 management assessed key assumptions applied in projected future cash flows for the purpose of the valuation and concluded that there were no facts which would indicate deterioration of these assumptions and result in decrease of the recoverable amount of property, plant and equipment, and, accordingly, concluded that there were no indications of impairment of assets of the Shalkiya cash-generating unit.

Kumyskuduk Verkhnesokurskoe

Management considered existence of indications of impairment of property, plant and equipment related to Kumyskuduk Verkhnesokurskoe cash-generating unit as of 31 December 2012. In its assessment management analysed principal assumptions applied in the impairment test in 2011 (volume of coal sales, coal price and production costs), and concluded

that there was no deterioration of these assumptions in 2012. Accordingly, the Group concluded that there were no indications of possible impairment of property, plant and equipment as of 31 December 2012.

Gornostayevskoye, Sivas, Denizli, Tuyebay-Syurtysu, Aitkokshe

As of 31 December 2012 the aforementioned cash-generating units were at exploration stage. Accordingly, management assessed existence of indications of impairment of exploration and evaluation assets of these cash-generating units in accordance with the requirements of IFRS 6, 'Exploration for and Evaluation of Mineral Resources'.

In 2012, the Group continued exploration and evaluation activities at these contract territories and plans to invest in further exploration and evaluation works. As of 31 December 2012 the Group identified indications that discovery of commercially viable reserves in these areas in the current economic and operational conditions is likely and recognized impairment in the amount of 2,356,550 thousand Tenge in *Sivas, Denizli, Tuyebay-Syurtysu, Aitkokshe*.

Fair value assessments in business combinations

An assessment of fair values of property, plant and equipment, exploration and evaluation assets and intangible assets of TEMP acquired in 2012 (note 5), is performed by independent professional appraiser, which has recognized and corresponding qualification and recent experience of an assessment of assets of similar category. As a basis for determination of fair value of fixed assets and intangible assets the market cost and replacement cost were used.

Date of acquisition of subsidiaries

In 2011, the Group entered into the share purchase agreements on acquisition of the controlling interest in TEMP. Pursuant to these agreements the government's waiver to exercise its pre-emptive right for acquisition of TEMP and approvals of other government authorities were the prerequisites to a completion of the transaction. As of March 30, 2012 the Group received the notice of refusal of the state from application of the priority right to acquisition of TEMP and permission of other government bodies and consolidates financial statements of TEMP as a part of these consolidated financial statements since April 1, 2012.

The Group's management concluded that receipt of the government's waiver and approvals were substantial conditions in obtaining control over TEMP rather than a perfunctory requirement. Accordingly, management concluded that as of 31 December 2011 the Group did not have power to control financial and operating policies of TEMP despite the fact that all other terms of the agreements including payment of the consideration were fulfilled, and, therefore, assets and liabilities, and results of this entity were not included in these consolidated financial statements. The Group received the government's waiver to exercise its pre-emptive right for acquisition of TEMP and approvals of other government authorities, and, accordingly, recorded acquisition of TEMP in 2012.

Obligation on payment of commercial discovery bonus and reimbursement of historical costs

In accordance with the terms of the subsurface use contracts the Group's subsidiaries (subsurface users) (Note 1) are required:

- to pay the commercial discovery bonus at the rate of 0.1% of recoverable mineral reserves, provided that commercial discovery is confirmed by an authorised state body.
- to reimburse the historical costs related to the geological information and other costs incurred by the Republic of Kazakhstan for exploration of the contractual territories before the transfer of subsurface use rights to the Group. Historical costs are reimbursed upon commencement of the commercial production.

The Group recognises the commercial discovery bonus and historical costs reimbursement obligations for those contracts where commercial discovery is assessed as highly probable. In assessment of probability of commercial discovery the Group considers the results of exploration works, test production and estimates of mineral reserves by independent engineers.

In 2011, management of the Group concluded that there is a high probability of commercial discovery in respect of the exploration contract of cobalt-nickel ores at Gornostayevskoye field and the exploration contract of ferromanganese ores at Tuyebay-Syurtysu field.

Subsidiaries

The Group owns 50% interest in the charter capitals of KARUAN and SAT Trade (Note 1). The Group has the ability to control the financial and operational policies of these subsidiaries through certain contractual relations. Accordingly, these companies are considered as the Group's subsidiaries, and are fully consolidated in these financial statements.

Social and training obligations

In accordance with the terms of subsurface use contracts, the Group is obliged to finance certain social infrastructure and training projects on annual basis. The fulfillment of these obligations can be done in the form of cash payments or contributions of an equivalent value. The obligations are the greater of a fixed amount or a defined percentage of the capital expenditures for the year. These projects are aimed at satisfying local community's needs and funds are generally spent on local projects for the population living in the area of exploration and production activities.

Management believes that even though the subsurface use contracts specify a minimal amount that has to be spent for social obligations, the funding of these projects is not substantially different than the funding of other costs of the exploration and production and should therefore be recorded when incurred. Management believes that the social obligations are directly related to the exploration and production activities and are not substantially different than the obligations for the minimum exploration or the annual work programs. This view is supported by the terms of the subsurface use contracts which do not obligate the Group to fund any social projects after the cancellation or expiration of the contract. Therefore, no liabilities for social and training obligations for future years were recognised in these consolidated financial statements as of 31 December 2012 and 31 December 2011.

Provision for asset retirement and site restoration obligation

In accordance with the terms of the subsurface use contracts and environmental legislation, the Group has a legal obligation to decommission its mining and other production assets, and restore a landfill site after its closure. Provision for asset retirement and waste polygons restoration is recognised for the future decommissioning and removal of production assets at the end of their economic lives. Provision is made, based on net present values, for site restoration and rehabilitation costs as soon as the obligation arises from past mining activities.

The provision for mining assets retirement and waste polygons restoration is based on the Group's interpretation of the current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with current restoration standards and techniques. The provision is estimated on the basis of current legal and constructive requirements, technology and price levels. Since actual costs for retirement and restoration can differ from estimates due to changes in environmental regulatory requirements and interpretation of the legislation, technology, prices and conditions, and the fact that such costs can relate to future periods, the carrying value of the provision is regularly reviewed and adjusted for any changes.

Significant judgments used in such estimations include the estimate of discount rate and timing of cash flows. Discount rate is applied to the nominal costs the management expects to spend on mining assets retirement and waste polygons restoration in the future. Accordingly, management's estimates based on current prices are inflated using the expected long-term inflation rate (2012: 5.8%-6.0%; 2011: 4.50%-8.40% depending on the date of mining assets retirement and waste polygons restoration), and subsequently discounted using discount rate. The discount rate reflects the current market estimates of the time value of money and those risks specific to the liability not reflected in the best estimate of the costs. The discount rate used by the Group's companies for calculation of provision as at 31 December 2012 varies from 4.2% to 4.9% (31 December 2011: 3.53% – 9.91%) depending on the estimated date of mining assets retirement and waste polygons restoration.

At 31 December 2012, the carrying value of site restoration provision was Tenge 1,114,096 thousand (31 December 2011: Tenge 744,918 thousand) (Note 19).

Estimated useful life of mining assets

Mining assets, classified as part of property, plant and equipment, are depreciated over the respective life of the mine using the unit of production (UOP) method based on proved and probable mineral reserves. Assumptions, which were valid at the initial (preceding) determination of mineral reserves, may change as new information becomes available. Any changes could affect prospective depreciation rates and asset carrying values.

The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future periods is different from current forecasted production based on proved and probable mineral reserves, which would generally arise as a result of significant changes in any of the factors or assumptions used previously in estimating mineral reserves. These factors could include:

- changes in proved and probable mineral reserves;
- the grade of mineral reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation of mineral reserves;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, processing and restoration costs, discount rates and foreign exchange rates, which could adversely affect the economic viability of mineral reserves.

Management reviews the appropriateness of assets' useful economic lives at least once a year; any changes could affect prospective depreciation rates and asset carrying values. As at 31 December 2012 the carrying amount of mining assets was Tenge 3,111,743 thousand (31 December 2011: Tenge 559,863 thousand) (Note 8).

Useful lives of other property, plant and equipment

The majority of other property, plant and equipment is depreciated using the straight-line method over their estimated useful lives. The estimation of the useful lives of these items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits, associated with these assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminishment of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Impairment of receivables

Specific provisions for accounts receivable are based on the regular assessment of their collections, overdue status and past experience. Management believes that provision for impairment of receivables as at 31 December 2012 and 31 December 2011 are sufficient and represent management's best estimate of receivables that will not be collected (Note 14).

Provision for inventories impairment

Inventories are recorded at the lower of cost and net realisable value. The Group recognises provision for impairment of inventories on the basis of regular stock count results and analysis of slow-moving, obsolete and other inventories where the net realisable value falls below their cost. The provision is recorded in profit or loss for the year. Management believes that impairment provisions made as at 31 December 2012 and 31 December 2011 are sufficient and represent management's best estimate of impaired inventories (Note 13).

Deferred income tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 7.

5 Business Combinations

During the recent years the Group made consecutively a series of strategic acquisitions in the metallurgic and mining industries.

Acquisition of TEMP

In 2011 the Group concluded agreement with Social Entrepreneurship Corporation Saryarka and three individuals on acquisition of 75.45% of a share in TEMP. The total cost of acquisition amounted to Tenge 924,979 thousand in share purchase agreement.

TEMP represents vertically integrated group which is carrying out production of manganese ores and production of a ferroalloys and other ferroalloy production. Acquisition of TEMP will allow Group to strengthen the position in sector of producers of ferroalloy production.

According to the specified agreements a state refusal from application of the priority right to TEMP and permission acquisition from other government bodies were conditions of completion of the transaction.

The Group received the state refusal notice from application of the priority right to acquisition of TEMP and permission of other government bodies on March 30, 2012.

Details of the assets and liabilities acquired and negative goodwill arising as a result of this acquisition are presented below:

<i>In thousands of Kazakhstani Tenge</i>	Fair value
Property, plant and equipment	6,940,164
Investment property	2,521,938
Investments in associates	482,000
Intangible assets	2,035
Deferred income tax asset	14,443
Other non-current assets	204,836
Inventories	1,212,354
Trade and other receivables	889,658
Other current assets	747,816
Cash and cash equivalents	19,267
Total assets	13,034,559
Deferred income tax liability	1,516,750
Site restoration provision	589,747
Borrowings	2,019,500
Trade and other payables	2,994,215
Total liabilities	7,120,212
Total net assets	5,914,347
Less: non-controlling interest	(1,451,381)
Bargain purchase gain (negative goodwill)	(3,537,987)
Total purchase consideration	924,979
Less: cash and cash equivalents of acquired subsidiary	(19,267)
Outflow of cash and cash equivalents on acquisition	905,712

Operational results of TEMP from December 31, 2012 till the date of acquisition are insignificant for these consolidated financial statements.

6 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by the Management Board of the Company.

(a) Description of reportable segments

The Group's operating segments have been aggregated into business segments as follows:

- **Head office:** the segment is represented by the operations of the head office of the Group, including acquisitions and disposals of investment assets and securities;
- **Manganese:** the segment represents the three mining companies (Arman 100, Saryarka, KARUAN) (Note 1) involved in the exploration of manganese ore deposits, extraction of manganese ore and production of manganese concentrate;
- **Ferrous alloys:** the segment represents TMP (processing of manganese and ferromanganese concentrate and the production of ferroalloys), TarEP (production and sales of electrode and repair masses) and TH SAT (sales of products of TMP) and TEMP (Note 1);
- **Zinc:** the segment is represented by Shalkiya Zinc NV and Shalkiya Zinc Ltd (Note 1), involved in exploration, production and complex processing of lead-zinc ores;
- **Coal:** the segment is represented by SAT Komir (Note 1), involved in production and sales of brown coal;

- Nickel: the segment represents FNP Ertis and Kaznickel (Note 1), which are involved in exploration of cobalt and nickel ores at Gomostayeyskoye field and development of their processing project;
- Oil products: the segment is represented by SAT Trade (Note 1), involved in purchase and processing of crude oil and sales of oil products;
- Chrome: the segment represents SAT&Co Holding and its subsidiaries, which are involved in exploration of chrome ore;
- Petrochemicals: the segment is represented by Ammonia P&D and KPI (Note 1), involved in construction of the integrated petrochemical complex for production of polypropylene and polyethylene in Western Kazakhstan.
- All other segments: the segment includes holding companies and other entities involved in non-core activities of the Group, which are not material for the Group as a whole.

(b) Factors that management uses to identify the reporting segments

Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires its target market and its technologies.

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

The CODM measures the performance of each segment based on adjusted earnings before interest, income tax, depreciation and amortisation ('EBITDA'). This measurement basis excludes the effects of any bargain purchase gains, losses on impairment of investments, property, plant and equipment, exploration and evaluation assets and intangible assets, losses on write-down of inventories to net realisable value and impairment of inventories, income on government grants and other non-recurring items.

Segment assets consist of gross inventory, gross trade and other receivables, property, plant and equipment, exploration and evaluation assets, advances for non-current assets and for exploration and evaluation assets, investments in associates and investments at cost. Segment liabilities consist of financial trade and other payables, advances received from customers and borrowings. Internal charges between segments have been reflected in the performance of each reportable segment. The revenue generated from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

7 Balances and Transactions with Related Parties

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's ultimate controlling party is disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding as at 31 December 2012 and 31 December 2011 is detailed below. The Group adopted the revised IAS 24, 'Related Party Disclosures', and no longer considers as related parties those shareholders holding more than 20% of common shares and their close family members. Thus, transactions and balances with some of the entities controlled by the National Welfare Fund Samruk-Kazyna JSC are not disclosed in these consolidated financial statements as transactions and balances with related parties.

The following companies were included as other related parties:

- entities under significant influence of the shareholders, holding more than 20% of common shares;
- entities under control or significant influence of close family members of the shareholders, holding more than 20% of common shares.

As at 31 December 2012, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Shareholders	Entities under common control	Other related parties
Other non-current assets	13	-	-	726,611
Trade and other receivables	14	-	-	9,734,190
Less: provision for impairment	14	-	-	(462,793)
Borrowings	20	-	-	603,400
Debt component of preference shares	21	1,952,283	-	1,061,381
Trade and other payables	22	-	-	227,493

SAT & Company JSC
Notes to the Consolidated Financial Statements – 31 December 2012

Provision for impairment of trade and other receivable at 31 December 2012 includes provision for impairment of receivables from Dan Construction LLP in the amount of Tenge 286,975 thousand and Shymkent Munai Onimderi LLP in the amount of Tenge 175,818 thousand.

As at 31 December 2011, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Shareholders	Entities under common control	Other related parties
Other non-current assets	13	-	-	844,587
Less: provision for impairment	13	-	-	-
Trade and other receivables	15	-	-	10,116,705
Less: provision for impairment	15	-	-	(462,793)
Borrowings	21	130,000	-	603,400
Debt component of preference shares	22	2,170,908	-	929,068
Trade and other payables	23	110,619	-	299,466

Provision for impairment of trade and other receivable at 31 December 2011 includes provision for impairment of receivables from Dan Construction LLP in the amount of Tenge 286,975 thousand and Shymkent Munai Onimderi LLP in the amount of Tenge 175,818 thousand.

Gross receivables from related parties included to other non-current assets, include the following:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Road Construction Technics LLP	726,611	833,755
Other	-	10,832
Total gross non-current receivables from related parties	726,611	844,587

Gross receivables from related parties include the following:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Ultimate Independent Collection Agency LLP	-	6,208,244
Independent Lawyers Group LLP	1,560,849	2,945,313
SDB Group	3,985,215	-
Dan Construction LLP	286,975	286,975
Bureau on Work with Debtors LLP	-	229,000
Road Construction Technics	-	199,661
Shymkent Munai Onimderi LLP	175,818	175,818
VTN Oil LLP	234,041	-
Fiegont LLP	3,410,749	-
Others	80,543	71,694
Total gross trade and other receivables from related parties	9,734,190	10,116,705

Ultimate Independent Collection Agency LLP

In 2011, the Group provided temporary unsecured interest-free financial aid to Independent Collection Agency Ultimate LLP ("ICA Ultimate") in the amount of Tenge 6,208,244 thousand. Initially repayment of the financial aid was due on 31 December 2011 and was subsequently extended until 31 December 2012. As of 31 December 2012 receivable from ICA Ultimate is not overdue. Management believes that the Group will be able to fully collect the amount due from ICA Ultimate within the agreed period, and, accordingly, did not record any impairment loss provision. In 2012 the amount was fully repaid.

Independent Lawyers Group LLP

In 2011, the Group provided temporary unsecured interest-free financial aid to Independent Lawyers Group LLP ("ILG") in the amount of Tenge 2,945,313 thousand due on 31 December 2013. As of 31 December 2011 receivable from ILG is not overdue. Management believes that the Group will be able to fully collect the amount due from ILG within the agreed period, and, accordingly, did not record any impairment loss provision.

The transactions with related parties for the year ended 31 December 2012 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Shareholders	Entities under common control	Other related parties
Cost of sales	24	-	-	27,899
Other operating profit	25	-	-	10,147
Other operating expenses	28	-	-	68,857
Finance costs	30	220,959	-	119,515
Purchases of property, plant and equipment		-	-	282,674

The transactions with related parties for the year ended 31 December 2011 were as follows:

<i>In thousands of Kazakhstani Tenge</i>	Note	Shareholders	Entities under common control	Other related parties
Revenue	23	-	-	40,054
Cost of sales	24	-	-	757,395
General and administrative expenses	26	-	-	19,796
Distribution costs	27	-	-	1,152
Other operating expenses	28	-	-	85,030
Finance costs	30	110,619	-	54,222
Purchases of property, plant and equipment		-	-	377,591
Purchases of exploration and evaluation assets		-	-	89,260

Key management personnel compensation in 2012, including salaries, bonuses and other short-term employee benefits comprised Tenge 19,708 thousand (2011: Tenge 17,420 thousand). Key management personnel as at 31 December 2012 included 4 persons (2011: 4 persons).

8 Property, Plant and Equipment

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

<i>In thousands of Kazakhstani Tenge</i>	Mining assets	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost at 1 January 2011	329,170	98,604	24,458,555	4,825,395	372,048	348,536	6,595,412	37,027,720
Accumulated depreciation	(15,490)	-	(40,575)	(91,362)	(37,058)	(138,597)	-	(323,082)
Carrying amount at 1 January 2011	313,680	98,604	24,417,980	4,734,033	334,990	209,939	6,595,412	36,704,638
Additions	235,662	3,262,855	217,327	123,574	23,092	89,697	2,272,901	6,245,308
Transfers from exploration and evaluation assets	51,034	-	-	-	-	-	-	51,034
Transfers	-	-	2,152,011	3,161,086	5,213	11,671	(5,329,981)	-
Depreciation charge	(19,227)	-	(1,150,461)	(1,078,885)	(88,910)	(49,656)	-	(2,387,139)
Impairment for the period	-	-	-	(190,696)	-	-	-	(190,696)
Disposals	(21,286)	-	(135,146)	(97,251)	(45,199)	(24,705)	(43,501)	(367,100)
Translation to presentation currency	-	(6,679)	1,467	(30,762)	(16,639)	2,093	(1)	(50,521)
Cost at 31 December 2011	594,580	3,374,780	26,688,362	7,881,441	316,407	396,760	3,494,830	42,747,180
Accumulated depreciation and provision for impairment	(34,717)	-	(1,185,206)	(1,260,352)	(103,860)	(157,521)	-	(2,741,656)
Carrying amount at 31 December 2011	559,863	3,374,780	25,503,176	6,621,089	212,547	239,239	3,494,830	40,005,524
Additions through business combinations	3,111,743	-	869,005	2,111,189	822,505	18,302	-	6,932,744
Additions	55,382	7,857	419,414	1,352,400	403,566	26,360	2,509,792	4,773,771
Transfers to assets for sale	(241,213)	(498)	(18,712,196)	(1,254,804)	(39,019)	(111,043)	(2,995,885)	(23,354,658)
Transfers	-	-	231,607	74,642	1,303	40	(340,087)	(32,495)
Depreciation charge	(36,975)	(8,327)	(1,116,632)	(1,209,492)	(77,025)	(52,836)	-	(2,501,287)
Depreciation disposals	-	-	5,170	98,556	24,364	42,346	-	170,446
Impairment for the period	(160,959)	(26,635)	(1,693,191)	(1,397,099)	(59,079)	(23,184)	(146,895)	(3,507,042)
Disposals	(176,098)	-	(43,937)	(618,509)	(92,838)	(50,905)	(1,722)	(984,009)
Translation to presentation currency	-	2,727	(907)	12,318	5,561	625	-	20,324
Cost at 31 December 2012	3,344,394	3,394,866	9,451,368	9,558,677	1,417,465	280,139	2,665,928	30,102,857
Accumulated depreciation and provision for impairment	(232,651)	(34,962)	(3,989,859)	(3,768,377)	(215,600)	(191,195)	(146,895)	(8,579,539)
Carrying amount at 31 December 2012	3,111,743	3,349,904	5,461,509	5,790,300	1,201,865	88,944	2,519,033	21,523,318

Additions in 2011 also include a plot of land received by TMP as a government grant upon fulfilment of the conditions of an investment contract. The land was recognised at a fair value of Tenge 3,279,349 thousand. The fair value was determined by an independent professional appraiser. The grant was recognised as deferred income (Notes 21 and 22) and is recorded to profit and loss on a straight-line basis over the expected economic life of the main buildings and constructions of the plant (15 years).

Construction in progress as at 31 December 2012 represents mainly construction and installation works in progress and equipment under installation acquired in the course of modernisation of the Shalkiya mine. Upon completion, assets will be transferred to 'Building and constructions' and 'Machinery and equipment' categories.

9 Exploration and Evaluation Assets

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
Carrying amount at 1 January	3,781,538	2,540,942
Additions	488,219	1,099,056
Impairment	(2,683,776)	-
Cost of test production net of proceeds from sales	-	561,405
Transfer to property, plant and equipment	-	(51,034)
Translation to presentation currency	96,613	(368,832)
Total exploration and evaluation assets	1,682,594	3,781,538

Exploration and evaluation assets, including capitalised expenditures comprise:

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
Subsurface use (exploration and evaluation) rights		
- Gomostayevskoye	1,323,807	1,323,807
- Sivas	314,190	288,924
- Denizli	164,727	151,480
- Tuyebay-Syurtysu	22,362	22,362
Total subsurface use rights	1,825,086	1,786,573
Geological and geophysical works	844,282	588,870
Exploratory drilling	487,329	469,498
Payroll and related expenses	538,138	402,604
Depreciation	253,825	233,413
Laboratory works	50,546	44,782
Impairment	(2,620,635)	-
Other	304,023	255,798
Total exploration and evaluation assets	1,682,594	3,781,538

Additions to the exploration and evaluation rights in 2011 include capitalised obligations for payment of commercial discovery bonuses at the Gomostayevskoye and Tuyebay-Syurtysu fields in the amount of Tenge 803,405 thousand and Tenge 10,300 thousand, respectively (Notes 21 and 22), and for reimbursement of historical costs in the amount of Tenge 85,015 thousand and Tenge 12,062 thousand, respectively (Note 21).

10 Investments in Associates and Joint Ventures

The table below summarises movements in the carrying amount of the Group's investments in associates and joint ventures:

<i>in thousands of Kazakhstani Tenge</i>	Associates		Joint venture	Total
	KPI	Kazgeocosmos	Ammonia P&D	
Carrying amount at 1 January 2011	3,775,986	73,459	-	3,849,445
Investments made during the year	-	-	160	160
Share in (loss) / profit for the year	(414,785)	1,821	(2)	(412,966)
Disposals	-	-	(79)	(79)
Other	-	(81)	-	(81)
Carrying amount at 31 December 2011	3,361,201	75,199	79	3,436,479
Investments made during the year	-	101,766	3,700,040	3,801,806
Share in (loss) / profit for the year	(382,230)	28,922	(52,807)	(406,115)
Disposals	(2,999)	-	-	(2,999)
Other	-	-	-	-

Translated from the Russian original

Carrying amount at 31 December 2012	2,975,972	205,887	3,647,312	6,829,171
-------------------------------------	-----------	---------	-----------	-----------

Development of the integrated petrochemical complex

KPI

KPI was established on 27 March 2008 for realisation of the investment project on construction of the first integrated gas chemical complex in Atyrau region. The project is carried out under the government decree dated 29 January 2004 on the basis of the special economic zone established in Atyrau region pursuant to the decree of the President in December 2007. The purpose of the project is a production of high value petrochemical materials from gas supplied from Tengiz field. It comprises two phases: production of polypropylene of 500,000 tons per annum (phase 1) and polyethylene of 800,000 tons per annum (phase 2). Realisation of the first phase is carried out by KPI and of the second phase by Ammonia P&D as described further in the note. The construction is expected to be completed and production to commence in 2015.

In March 2008, KPI and Tengizchevroil LLP ("TCO") signed a contract for gas supply from the gas processing plant of TCO. In December 2009, Development Bank of Kazakhstan and EximBank of China signed a memorandum of understanding with respect to the financing of the first phase of the project. In March 2010, KPI and Sinopec Engineering signed a turnkey agreement on the construction of the first phase. In June 2010, KPI and Vinmar International Ltd signed an off-take agreement on purchase of future production from KPI.

In 2010, KPI commenced works on construction of infrastructure facilities including roads and transmission facilities.

KPI was originally established by the Group as a 100% subsidiary. Subsequently, in 2008 the Group sold its 51% interest in KPI to Kazmunaigas Exploration and Production JSC ("KMG EP") and 24% interest to LyondellBasell Kazakhstan Holdings B.V. On 11 May 2010, LyondellBasell signed an exit agreement on withdrawal of participating interest in KPI, and made a transfer of its 24% share to the Group for the total amount of Tenge 733,850 thousand. In addition, during 2010 KPI increased its charter capital, and the Group paid for its share of this increase Tenge 2,954,302 thousand in cash.

KPI entered into a number of credit facility agreements with Development Bank of Kazakhstan and Samruk-Kazyna to finance current infrastructure works. Total carrying amount of the borrowings as of 31 December 2011 comprises Tenge 14,313,197 thousand, including short term portion of Tenge 3,423,566 thousand and long term portion of Tenge 10,889,631 thousand due from 2024 to 2030. The interest rates vary from 2% to 3.09% per annum.

The facility of Development Bank of Kazakhstan is secured by interests of owners in the charter capital of KPI.

KLPE

In 2011, the Group established KLPE for realisation of the second phase of the integrated gas chemical complex in Atyrau region (see section "KPI" above). KLPE was incorporated in the special economic zone in Atyrau region providing exemption from customs duties and other taxes.

In accordance with the joint venture agreement dated 25 August 2011 as amended by the amendment agreement dated 5 December 2011 KPI undertook to reassign the dry gas agreement signed with TCO and to transfer the feasibility study and other historical costs to KLPE.

KLPE is a joint venture between the Group (25%), United Chemical Company LLP, a subsidiary of Samruk-Kazyna, (25%) and LG Chem (50%) pursuant to the joint venture agreement dated 6 March 2012 (superseding the joint venture agreement dated 25 August 2011 as amended by the amendment agreement dated 5 December 2011).

KLPE was initially established by the Group. In accordance with the joint venture agreement, in December 2011, the Group sold 50% in KLPE to LG Chem for US Dollar 50 million effectively representing payment for the right of participation by LG Chem in the second phase of the project. Payment is scheduled in 4 instalments: US Dollar 1 million not later than 31 December 2011, US Dollar 24 million not later than 31 December 2012, US Dollar 15 million not later than 30 June 2013 and US Dollar 10 million not later than 30 June 2014. The Group recognised the amount receivable from LG Chem within other operating income (Note 25). In March 2012, in accordance with the joint venture agreement, another 25% in KLPE was disposed off to United Chemical Company LLP.

Kazgeocosmos

The Group takes part in joint investment project "Aerospace Monitoring of Natural and Industrial Facilities". Participants in this project are: the Group (25.5%), Investment Fund of Kazakhstan JSC ("IFK") (49%) and KGC LLP (25.5%).

In accordance with the agreement on joint investment project dated 30 June 2006, starting from 2010 IFK gradually ceases its participation in accordance with agreed schedule commencing 2010. Accordingly, on 6 November 2010

the Group acquired an additional 6.6% of the total number of outstanding shares in Kazgeocosmos from IFK for Tenge 100,004 thousand, and, as a result, at 31 December 2010 the Group's interest increased to 32.1%. As at 31 December 2009 investment in Kazgeocosmos was fully impaired.

In accordance with the share purchase agreement dated 18 October 2010, the Group jointly with the participant KGC LLP has the obligation to acquire the remaining 42.4% interest held by IFK for the total amount of Tenge 748,465 thousand during the period of 2011-2013. In 2011, the Group did not acquire any interests from IFK. In 2012, the Group acquired 6.1% interest in Kazgeocosmos from IFK for Tenge 200 million.

Presented below is the summary financial information on associates as at 31 December 2012 and 2011 and for the years then ended:

<i>In thousands of Kazakhstani Tenge</i>	Total assets	Total liabilities	Revenue	(Loss) / profit for the year
2012				
KPI	47,812,969	17,853,912	-	(780,061)
Kazgeocosmos	669,580	271,699	506,893	75,673
KLPE	20,035,513	238,331	-	(211,228)
2011				
KPI	34,943,975	19,316,627	-	(846,500)
Kazgeocosmos	501,215	179,034	335,221	5,667
KLPE	158	-	-	(2)

11 Investments at Cost

The table below summarises information on changes in value of investments at cost:

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Carrying value at 1 January		-	1,039,383
Disposals		-	-
Impairment for the year	4	-	(1,039,383)
Carrying value at 31 December		-	-

Investments at cost relate to 51% interests in Taonan, Baicheng and Ulanhot and Jinsheng SAT.

12 Other Non-Current Assets

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Non-current portion of receivable from LG Chem	25	1,399,068	3,015,164
Restricted cash		44,957	2,602,666
Non-current receivables from related parties	7	16,250	-
Non-current receivables from employees		240	342,598
Funds transferred to investment portfolio management			15,667
Other non-current receivables		364,305	381,256
Less: provision for impairment		(360,555)	(379,374)
Total non-current financial assets		1,443,165	5,977,977
Prepayments for property, plant and equipment		1,026,405	2,460,478
Non-current recoverable VAT		1,170,821	1,287,619
Prepayments for business acquisitions		699,896	814,981
Prepayments for exploration and evaluation assets		35,825	19,809
Inventories		107,837	-
Other		92,800	182,334
Less: provision for impairment		(121,822)	-
Total other non-current assets		4,454,927	10,743,198

Non-current portion of receivable from LG Chem relates to proceeds from the sale of the right of participation in KLPE in 2011 which are due after 31 December 2012 (Notes 10 and 25).

Included in restricted cash at of 31 December 2011 is a collateralised deposit of Tenge 2,600,000 thousand placed in Eximbank Kazakhstan JSC ("Eximbank Kazakhstan") for 36 months at 15% per annum. Restrictions will be removed upon full repayment of the related loan (Note 20). Restricted cash also includes special bank deposits opened in accordance with subsurface use contracts. Interest rates on these deposits vary from 1% to 4% per annum.

Fair value of the long-term financial assets approximates their carrying amounts.

Non-current financial assets are denominated in the following currencies:

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
US Dollar	1,398,124	3,015,184
Tenge	45,041	2,962,813
Total non-current financial assets	1,443,165	5,977,977

Presented below is the movement in the provision for impairment of non-current financial receivables:

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
Balance at 1 January	379,374	90,750
Charge for the year	1,181	332,926
Reversal of reserve for the year	-	(44,302)
Balance at 31 December	380,555	379,374

Prepayments for business acquisitions as at 31 December 2012 represent consideration paid for the controlling share in TEMP.

Non-current VAT recoverable represents input VAT accrued as a result of purchases of goods and services on the territory of the Republic of Kazakhstan. Management believes that this amount will be recoverable in full in future upon completion of exploration and development works and commencement of sales.

13 Inventories

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
Finished goods	845,985	1,022,924
Raw materials	1,073,342	609,287
Construction materials	11,189	148,459
Work in progress	230,999	58,336
Other	150,241	67,486
Less: provision for impairment	(171,161)	(154,783)
Total inventories	2,140,595	1,751,709

Movement in provisions for impairment of inventories is presented below:

<i>in thousands of Kazakhstani Tenge</i>	2012	2011
Balance as at 1 January	154,783	14,677
Accrual / (reversal) for the year	58,974	140,106
Reversal	(1,740)	-
Translation difference	447	-
Disposal to assets for sale	(41,303)	-
Disposal of discontinued operations	-	-
Balance as at 31 December	171,161	154,783

14 Trade and Other Receivables

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Temporary financial aid given to related parties	7	9,734,190	9,912,611
Current portion of receivable from LG Chem	25	2,021,739	3,561,600
Trade receivables		476,448	2,159,874
Other financial receivables		102,041	3,142,675
Less: provision for impairment		(541,305)	(2,232,257)
Total financial receivables		11,793,113	16,544,503
Advances to suppliers		327,416	321,237
Other receivables		23,373	19,581
Less: provision for impairment		(8,004)	(26,912)
Total trade and other receivables		12,135,898	16,858,409

Financial trade and other receivables of the Group are denominated in the following currencies.

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Tenge	9,599,963	12,646,102
US Dollar	2,037,156	3,723,999
Russian Rubles	155,342	-
Other	652	174,402
Total financial trade and other receivables	11,793,113	16,544,503

Presented below is the movement in the provision for impairment of financial receivables:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Balance at 1 January	2,232,257	3,340,220
Charge for the year	47,959	231,863
Reversal for the year	(1,712,203)	(1,339,826)
Disposal to assets for sale	(26,708)	
Balance at 31 December	541,305	2,232,257

Analysis of financial assets by credit quality is shown below:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
<i>Current and not impaired</i>		
Kazakhstani customers	9,549,631	9,937,042
Foreign customers	2,202,680	5,569,665
<i>Total current and not impaired</i>	<i>11,752,311</i>	<i>15,506,707</i>
<i>Past due but not impaired</i>		
- from 30 to 90 days	3,396	241,134
- from 90 to 180 days	-	224,931
- from 180 to 360 days	16,173	196,430
- over 360 days	3,261	375,301
<i>Total past due but not impaired</i>	<i>22,830</i>	<i>1,037,796</i>
Individually impaired (gross)	559,277	2,232,257
Less: provision for impairment	(541,305)	(2,232,257)
Total trade and other receivables	11,793,113	16,544,503

Current and not impaired trade and other financial receivables represent existing customers and related parties with no defaults in the past. All past due but not impaired receivables relate to customers which are expected to repay in 2012.

15 Other Current Assets

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Short-term financial investments available for sale	-	-
Term deposits	-	16,769
<i>Total other financial current assets</i>	<i>-</i>	<i>16,769</i>
Recoverable VAT and prepaid taxes	1,457,723	1,328,858
Deferred stripping costs	-	236,707
Other	28,399	20,850
Less: provision for impairment	(19)	
Total other current assets	1,486,103	1,603,184

16 Cash and Cash Equivalents

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Current bank accounts – Tenge	39,420	411,451
Current bank accounts – foreign currencies	81,306	225,926
Term deposits – Tenge	351,099	1,011
Cash on hand	29,755	100,220
Total cash and cash equivalents	501,580	738,608

Cash at bank accounts is neither past due nor impaired. The table below represents the credit quality of cash at bank accounts:

<i>In thousands of Kazakhstani Tenge</i>	Rating (Moody's)	2012		2011	
		Current accounts	Term deposits	Current accounts	Term deposits
Alliance Bank	B3	17,942	342,564	129,134	1,011
Nurbank	Ba3	-	6,592	118,205	-
İş Bankası	Bb	3,432	-	96,492	-
Sberbank of Russia	Ba2	5,466	-	81,262	-
Halyk Bank	Ba2	758	-	31,847	-
ATF Bank	Ba2	2,014	-	21,838	-
Eurasian Bank	B1	2,062	-	14,325	-
J and T Bank JSC	Not available	63,786	-	-	-
Others	Not available	25,266	1,943	144,274	-
Total		120,726	351,099	637,377	1,011

Term deposits have contractual maturity of less than three months and are repayable on demand.

17 Non-Current Assets Held for Sale

Non-current assets held for sale as of 31 December 2012 included the building of the Parent company located in Almaty and cost of subsidiaries SAT Komir and Shalkiya Zinc N.V. (Note 1).

<i>In thousands of Kazakhstani Tenge</i>	SAT Komir	Shalkiya Zinc NV	Building of Parent Company	Total
Property, plant and equipment	2,166,678	20,426,811	-	22,593,489
Intangible assets	347	-	-	347
Investment property	-	-	761,169	761,169
Deferred tax assets	-	208,926	-	208,926
Other long-term assets	13,301	982,523	-	995,824
Inventory	135,565	40,851	-	176,416
Trade receivables	245,719	27,980	-	273,699
Other short-term assets	493,408	-	-	493,408
Cash and cash equivalents	26,543	3,817	-	30,160
Assets classified as held for sale	3,081,561	21,690,708	761,169	25,533,438
Site restoration provision	115,338	228,522	-	343,860
Dues to the Republic of Kazakhstan	-	259,122	-	259,122
Borrowings	1,373,642	-	-	1,373,642
Deferred tax liabilities	-	3,379,447	-	3,379,447
Other long-term liabilities	37,856	-	-	37,856
Trade payables	148,563	588,942	-	737,505
Liabilities related to assets classified as held for sale	1,675,399	4,456,033	-	6,131,432

18 Share Capital

As at 31 December the shareholders (owners of common shares) of the Company were as follows:

	2012	2011
Mr. Rakishev Kenges Khamituly	49.05%	51.59%
SFK KOR Invest	23.49%	-
MAC ALLIANS LLP	-	22.48%
SPF UlarUmit JSC	7.91%	8.16%
OSPF Otan JSC	6.27%	6.47%
SPF Atameken JSC	-	4.06%
VTN OIL LLP	3.7%	-
SPF Astana JSC	2.83%	2.92%
SPF Industrial Kazakhstan JSC	-	2.07%
SPF BTA Kazakhstan JSC subsidiary of BTA Bank JSC	-	-
SPF Amanat Kazakhstan JSC	-	-
SPF Kazakhmys JSC	-	-
SPF Korgau JSC	-	-
Individuals	6.75%	2.25%
Total	100.00%	100.00%

As at 31 December the owners of preference shares of the Company were as follows:

	2012	2011
SPF Republic JSC	53.19%	67.11%
Almex Plus	28.77%	32.89%
GNPF JSC	14.38%	-
Tsesnabank JSC	3.66%	-
Total	100.00%	100.00%

In 2012, Mr. Kenges Rakishev acquired a non-controlling interest in SPF Republic JSC.

	2012		2011	
	Number of shares	Value, thousands of Tenge	Number of shares	Value, thousands of Tenge
Common shares	1,236,526,452	19,381,198	1,200,000,000	16,084,109
Preference shares	389,192,270	12,072,538	329,681,653	10,215,905
Share capital, including debt component of preference shares	1,625,718,722	31,453,736	1,529,681,653	26,300,014
Less: debt component of preference shares		(3,689,195)		(3,099,976)
Total share capital		27,764,541		23,200,038

At 31 December 2012, total number of authorised common shares is 3,000,000,000 shares (2011: 3,000,000,000 shares). Total number of issued common shares is 1,236,526,452 shares (31 December 2011: 1,200,000,000 shares). All issued common shares are fully paid. Each common share carries one voting right.

As at 31 December 2012 the total number of authorised preference shares is 750,000,000 shares (31 December 2011: 750,000,000 shares). The total number of issued preference shares is 389,192,270 shares (31 December 2011: 329,681,653 shares). All issued preference shares are fully paid.

Both common and preference shares do not have a declared nominal value.

Preference shares rank ahead of the common shares in the event of the Company's liquidation. Preference shares give its holders the right to participate in general shareholders' meetings without voting rights except for instances where

decisions are made in relation to re-organisation and liquidation of the Company, and where changes and amendments to the Company's charter restricting rights of preference shareholders are proposed.

Dividends on preference shares are set at the higher of Tenge 1 per share per annum or the amount declared on common shares. If dividends on preference shares are not paid in full within three months from the date of expiry of the period set for payment of such dividends, preference shares get voting rights until the dividends are actually paid.

Preference shares are compound financial instruments that contain both a liability and an equity component. The Group assessed the fair value of the debt component of the instrument by applying the relevant effective interest rate of 11.04% to the amount of mandatory annual dividends using a net present value formula on perpetuity. The amortised cost of the debt component of the preference shares is included in other non-current liabilities (Note 21).

In 2012, the Company placed 46,437,867 common shares for the amount of Tenge 3,297,088 thousand and 59,510,617 preference shares for the amount of Tenge 1,856,633 thousand (2011: 26,396,706 common shares for the amount of Tenge 1,874,166 thousand and 223,014,986 preference shares for the amount of Tenge 7,015,905 thousand).

On 8 November 2010, new KASE listing requirements came into effect requiring the Group to disclose the following information: total assets less total intangible assets, total liabilities and non-voting preference shares (included in equity) divided by the number of common shares outstanding at the end of the year. At 31 December 2012, this indicator calculated by the management on the basis of data from the consolidated financial statements comprised Tenge 9.88 (31 December 2011: Tenge 15.60). The Group is also required to disclose dividends payable to holders of non-voting preference shares, value of non-voting preference shares (included in equity) and debt component of non-voting preference shares divided by number of issued preference shares. At 31 December 2012, this indicator amounted to Tenge 31.02 (31 December 2011: Tenge 31.99).

During 2012 and 2011, the Group neither declared nor paid dividends on common shares.

19 Site Restoration Provision

The Group has a legal obligation to restore a landfill site and to decommission mining property after expected closure of contractual territories.

Movements in the site restoration provision are presented below:

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Carrying amount at 1 January		744,918	545,478
Increase of provision through business combinations	5	582,954	-
Changes in estimates adjusted against property, plant and equipment		(10,038)	159,570
Changes in estimates adjusted against exploration and evaluation assets		67,813	59
Disposal to assets held for sale		(343,807)	-
Unwinding of the present value discount		72,256	39,811
Carrying amount at 31 December		1,114,096	744,918

The amount of site restoration provision was calculated using the prices effective at the reporting date for expenditures to be incurred and then inflated using the forecast inflation rate effective for the period until the settlement of obligations. Uncertainties in estimation of such expenditures include potential changes in requirements of environmental legislation, volumes and alternative methods of restoration activities, discount and inflation rates.

Principal assumptions applied in estimation of site restoration provision are presented below:

	2012	2011
Discount rate	5.8%-6.00%	3.5%-9.9%
Inflation rate	4.2%-4.9%	4.5%-8.4%

Carrying amount of site restoration provision by fields is presented below:

<i>In thousands of Kazakhstani Tenge</i>	Expected closure date	2012	2011
Verkhnesokurskoe	2026	-	273,598
West Kamys	2020	347,569	205,588
Shalkiya	2046	-	115,455
Waste polygons (TMP)	2015	77,299	88,965
Gurlevik	2020	52,696	32,888
Gornostayevskoye	2026	16,512	13,490
Aitkokshe	2013	9,939	9,343
Bogach and Esymzhal		137,628	-
Yuzhno-Toparskoe		472,453	-
Tuyebay-Syurtysu	2037	-	5,571
Total		1,114,096	744,918

20 Borrowings

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Non-current portion		
Bonds issued	12,146,758	10,526,641
Sberbank of Russia	8,157,894	6,809,807
BTA Bank	-	2,774,482
Eurasian Bank	-	84,971
Other borrowings	14,522	11,018
Total borrowings – non-current portion	20,319,174	20,206,919
Current portion		
Sberbank of Russia	4,982,076	4,994,372
BTA Bank	3,106,571	-
Alliance Bank	3,032,135	-
Bonds issued	800,943	1,422,126
NurBank	402,161	-
RBK Bank	252,051	-
Eurasian Bank	85,679	129,235
Eximbank Kazakhstan	-	2,683,417
Ridani International Ltd	-	1,602,390
Neobrand Sales L.P.	-	1,484,000
Tsesnabank	-	911,200
Almex Plus	545,268	545,268
VTB Bank	-	460,416
Other borrowings	176,885	273,344
Total borrowings – short-term portion	13,383,769	14,505,768
Total borrowings	33,702,943	34,712,687

Bonds issued

On 3 January 2008, the Group issued bonds in the amount of Tenge 15,000,000 thousand. The term of the bonds is 7 years from the date of issue. Coupon rate is fixed at 12% in the first year and starting from the second year is indexed to inflation rate (consumer price index published by the Statistics Agency of the Republic of Kazakhstan for 12 months preceding the month of the corresponding coupon period) plus fixed margin of 2%.

Sberbank of Russia

On 3 May 2011, TMP and CAICC entered into the credit facility agreements with Sberbank of Russia in the total amount of US Dollar 89,964 thousand (equivalent of Tenge 13,190,522 thousand) for the purpose of refinancing borrowings from Development Bank of Kazakhstan, financing of completion of TMP modernisation and replenishment of working capital,

including the revolving credit facility in the amount of US Dollar 30,418 thousand (equivalent of Tenge 4,459,887 thousand) available until 3 May 2013.

Short term loans under the revolving credit facility are repaid at maturity; interest of 9.5% per annum is payable on a monthly basis. Effective interest rate for this credit line is 9.89% per annum.

Non-current loans under the non-revolving credit facility are repaid on a monthly basis from the second year until 3 May 2018. Interest of 10% per annum is payable on a monthly basis. Effective interest rates vary from 10.45% to 11.16% per annum.

On 15 November 2011, the Group entered into the agreement with DAMU and Sberbank of Russia pursuant to which DAMU subsidises interest of 7% on borrowings related to financing of TMP modernisation until December 2014. The Group recognised the subsidised interest as decrease in finance costs (Note 30).

BTA Bank

Originally the borrowings were received by Shalkiya Zinc Ltd and after finishing purchase transaction of Shalkiya Zinc Ltd, the Group restructured the borrowings from BTA Bank.

Upon completion of acquisition of Shalkiya Zinc NV the Group restructured BTA Bank borrowings. On 20 July 2011, the Group entered into the agreement with BTA Bank, pursuant to which:

- Interest rates were retrospectively decreased in average to 7.5%, and, accordingly, accrued interest was decreased.
- Terms of repayment of principal amount and accrued interest were extended: repayments will be made on a monthly basis in equal instalments from June 2013 till July 2016.

The Group recognised gain on restructuring of BTA Bank borrowings in the amount of Tenge 1,661,115 thousand within finance income for 2011 (Note 29).

Eximbank Kazakhstan

In October 2009, the Group signed a loan agreement with Eximbank Kazakhstan for Tenge 2,600,000 thousand due on 13 October 2012. The loan was provided to finance acquisition of shares in Taonan, Baicheng and Ulanhot (Note 4). The loan carries interest of 15% per annum which is payable on an annual basis. Principal is payable at the maturity date. The borrowing is secured by the restricted cash in the amount of Tenge 2,600,000 thousand. In 2012 the loan was fully repaid.

Ridani International Ltd.

On 30 December 2010, the Group entered into the agreement with Ridani International Ltd., pursuant to which on 6 January 2011 Ridani International Ltd. provided a short-term loan in the amount of US Dollar 10,000 thousand due on 28 February 2011 for the purpose of acquisition of TEMP (Note 39) and payment of preference share dividends (Note 19). Interest rate is 8% per annum payable on a monthly basis. During 2011, the repayment term was extended until 30 June 2012. The loan is not secured. In 2012 the loan was fully repaid.

Neobrand Sales L.P.

On 3 October 2011, the Group entered into the agreement with Neobrand Sales L.P., pursuant to which Neobrand Sales L.P. provided an interest-free short-term loan in the amount of US Dollar 10,000 thousand for 5 months for the purpose of acquisition of TEMP (Note 39). During the period from 31 December 2011 till the date of authorisation of these consolidated financial statements the term of the borrowing was extended until the end of 2012. The loan is not secured. In 2012 the loan was fully repaid.

Tsesnabank

On 25 October 2011, the Group entered into the loan agreement with Tsesnabank JSC in the amount of Tenge 1,800,000 thousand till 10 January 2012 for the purpose of replenishment of working capital. Effective interest rate is 17.1% per annum. Interest and principal amount are payable in two installments; on 1 December 2011 and on 10 January 2012. The loan is secured by personal guarantee and cash of the controlling shareholder placed in Tsesnabank. The borrowing was fully repaid by the Group in 2012. In 2012 the loan was fully repaid.

Almex Plus LLP

Amount due to Almex Plus represents an outstanding debt of CAICC on temporary interest-free financial aid provided in 2009 for the purpose of working capital replenishment and accepted by the Group as part of acquisition of CAICC in

December 2010 as deferred consideration (Note 5). Originally the financial aid was payable on a monthly basis starting from April 2011 until March 2012. The borrowing was not secured. The effective interest rate determined at origination of the loan was 13.52% per annum. During 2011 and as of the date of these consolidated financial statements the Group did not settle this liability.

VTB Bank

In 2011, the Group entered into a revolving credit facility agreement with SB VTB Bank (Kazakhstan) JSC ("VTB Bank") in the total amount of Tenge 439,920 thousand until 7 September 2013 for the purpose of replenishment of working capital. Credit facility carries interest of 12% per annum. Interest and principal amount of loans obtained under the credit facility agreement are payable on a monthly basis. Effective interest rate approximates contractual interest rate. The credit facility is secured by assets of SAT Komir including property, plant and equipment with the carrying amount of Tenge 462,289 thousand and finished goods with the carrying amount of Tenge 41,971 thousand (Note 14), and future revenue under contracts with Apai Pavlodar LLP and Temir-Asia Stroy. The borrowing was fully repaid by the Group in 2012.

Eurasian Bank

In July 2008, the Group signed a loan agreement with Eurasian Bank for Tenge 637,280 thousand. The purpose of the loan was to finance purchase of property, plant and equipment. The loan is due on 16 July 2013. The effective interest rate is 15% per annum. Interest and principal amount are payable on a monthly basis.

RBK Bank

On 21 July 2011 TEMP signed an agreement on opening of credit line in the amount of Tenge 250,000 thousand in RBK Bank JSC with maturity date on 21 July 2012 for working capital purposes. Interest rate is 16% per annum.

Alliance Bank

On 28 May 2012 TEMP signed an agreement on opening of credit line in the amount of Tenge 3,000,000 thousand in Alliance Bank JSC with maturity date on 28 May 2019 for refinancing of borrowings from Astana Finance Bank JSC and RBK Bank JSC, for working capital purposes and modernization of current production. Interest rate comprised from 9.3% to 11.8% per annum depending on maturity date of each tranche.

NurBank

In 2011 the Group signed an agreement on opening of revolving credit line in the amount of Tenge 85,000 thousand in NurBank JSC available till 20 February 2013. Principal amount of short-term loans received within this revolving credit line are repaid at the end of the maturity date and interest amount is paid on a monthly basis at an interest rate of 16%. Effective interest rate on this credit line is 17.5% per annum.

The Group's borrowings mature as follows:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
<i>Borrowings with maturity of</i>		
- less than 6 months	12,518,213	7,335,976
- from 6 months to 1 year	865,556	7,169,792
- from 1 year to 3 years	16,373,137	4,549,223
- over 3 years	3,946,037	15,657,896
Total borrowings	33,702,943	34,712,687

Borrowings of the Group are denominated in the following currencies:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
- Tenge	18,267,117	20,858,199
- US Dollar	15,302,066	13,744,503
- Russian Rouble	114,135	96,714
- Turkish Lira	19,625	13,271
Total borrowings	33,702,943	34,712,687

The carrying amounts and fair values of borrowings are as follows:

Translated from the Russian original

<i>In thousands of Kazakhstani Tenge</i>	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issued	12,947,700	11,089,984	11,948,767	10,299,518
Sberbank of Russia	13,139,970	13,139,970	11,804,179	11,826,392
BTA Bank	3,108,571	3,108,571	2,774,482	2,774,482
Eximbank Kazakhstan	-	-	2,683,417	2,683,417
Ridani International Ltd.	-	-	1,602,390	1,602,390
Neobrand Sales L.P.	-	-	1,484,000	1,470,958
Tsesnabank	-	-	911,200	911,200
Almex Plus	-	-	545,268	545,268
VTB Bank	-	-	460,416	460,416
Eurasian Bank	85,679	85,679	214,206	214,206
RBK Bank	252,051	252,051	-	-
Alliance Bank	3,032,135	3,032,135	-	-
NurBank	402,161	402,161	-	-
Other borrowings	738,676	738,676	284,362	284,362
Total	33,702,943	31,845,227	34,712,687	33,072,609

21 Other Non-Current Liabilities

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Debt component of preference shares	18	3,689,195	3,099,976
Non-current payables		16,597	121,617
<i>Total financial non-current liabilities</i>		<i>3,705,792</i>	<i>3,221,593</i>
Deferred income on government grants	8	2,769,228	2,987,851
Commercial discovery bonus	9	529,519	503,405
Liability for reimbursement of historical costs	9	80,743	328,136
Employee benefits		90,602	34,113
Total other non-current liabilities		7,175,884	7,375,098

In accordance with the investment contract between TMP and the Committee on Investments of the Ministry of Industry and Trade of the Republic of Kazakhstan dated 20 June 2007 the Group undertook to provide investments for modernisation of the metallurgical plant in the total amount of not less than Tenge 3,597,008 thousand. In August 2011, upon fulfilment of the terms of the investment contract TMP received a government grant in the form of the land plot on which the plant is located. The fair value of the land plot of Tenge 3,279,349 thousand was determined by an independent professional appraiser. The Group recognised grant as deferred income in the consolidated statement of financial position which is amortised to the profit and loss on a straight-line basis over the expected useful life of the main buildings and constructions of the plant (15 years) within 'other operating income' (Note 25).

Liability for commercial discovery bonus relates to the contract on exploration and evaluation of cobalt-nickel ores at Gornostayevskoye field (Note 9). Management concluded that there is high probability of commercial discovery, and, therefore, at 31 December 2011 recognised a respective provision in these consolidated financial statements. Nominal amount of the liability of Tenge 992,180 thousand was determined based on internal estimates of cobalt-nickel ores reserves and current market prices for respective minerals. Present value of the liability was determined based on discounting of the nominal amount during the expected period of settlement of the liability using annual interest rate of 4.13%.

Liability for reimbursement of historical costs include obligations under subsurface use contracts on Gornostayevskoye field and Tuyebay-Syurtysu field.

22 Trade and Other Payables

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Trade payables	2,223,211	1,979,653
Dividends payable on preference shares	194,596	164,841
Other financial liabilities	579,797	87,596
Total financial payables	2,997,604	2,232,090
Advances received	842,870	542,586
Deferred income on government grants	218,623	218,623
Payroll and pension contributions payable	361,618	173,760
Taxes payable	529,007	135,089
Unused vacation reserve	354,026	64,075
Commercial discovery bonus	-	10,300
Other	63,959	198,414
Total trade and other payables	5,367,707	3,574,937

Financial trade and other payables of the Group are denominated in currencies as follows:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Tenge	2,796,231	1,143,867
US Dollar	53,741	801,738
Russian Rouble	96,327	145,223
Turkish Lira	32,544	96,994
Euro	6,199	44,245
Pound Sterling	12,562	23
Total financial trade and other payables	2,997,604	2,232,090

23 Revenue

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Ferrous alloys	11,417,569	4,804,065
Carbide	2,151,263	-
Limestone	775,303	-
Metal scrap	719,203	-
Coal	-	2,013,401
Oil and oil products	-	972,096
Other	367,252	361,929
Total revenue	15,430,590	8,151,491

24 Cost of Sales

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Raw materials		6,820,435	3,009,001
Electricity		3,990,614	1,396,366
Impairment of property, plant and equipment		3,591,076	65,401
Payroll and related costs		1,678,987	692,293
Depreciation of property, plant and equipment		1,570,869	1,161,556
Metal scrap		240,086	
Shortage as a result of stock take		108,240	
Transportation		50,229	112,326
Rent		39,023	45,680
Taxes		34,792	
Stripping costs		21,477	653,754
Crude oil and oil products		-	612,994
Write-down of inventories to net realisable value		(283,008)	348,643
Impairment / (reversal of impairment) of inventories	13	18,118	140,106
Other		446,671	173,867
Total cost of sales		18,327,609	8,421,981

25 Other Operating Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Gain from sale of other materials		390,253	
Gain from write-off of other liabilities		234,041	38,414
Government grant income	21	218,623	72,875
Foreign exchange gains less losses		104,212	26,442
Gain from sale of shares in associated companies		42,030	
Gains less losses from disposal of property, plant and equipment		39,621	7,096
Gain from sale of participation right in Ammonia P&D	10	-	6,688,505
Gain from sale of Avia Center JET		-	1,480,063
Income from railway services		-	157,177
Other		86,424	395,372
Total other operating income		1,115,204	8,865,944

In 2011, the Group sold the right of participation in Ammonia P&D of 50% interest to LG Chem for US Dollar 50 million. The Group recognised a gain on sale at fair value of consideration receivable which was determined based on discounted cash flows using interest rate of 10% per annum.

26 General and Administrative Expenses

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Payroll and related costs		1,348,194	1,228,799
Consulting services		507,835	868,768
VAT write off		346,695	
Taxes and charges		246,252	168,959
Depreciation of property, plant and equipment and amortisation of intangible assets		216,056	932,305
Security services		191,453	68,542
Sponsorship and other financial aid		152,357	148,995
Materials		143,806	84,012
Business trip and representative expenses		118,919	243,858
Bank charges		75,145	79,204
Rent		52,357	85,961
Communication services		35,271	56,402
Impairment of property, plant and equipment		-	125,295
Write-down of inventories to net realisable value		-	71,697
(Reversal of) / impairment of receivables		(1,285,199)	(821,860)
Other		518,077	364,051
Total general and administrative expenses		2,667,218	3,704,968

27 Distribution Costs

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Transportation and logistics services	495,069	744,054
Payroll and related costs	69,428	101,335
Materials	115,047	94,346
Repair and technical maintenance	42,338	-
Other	23,164	132,778
Total distribution costs	745,046	1,072,512

28 Other Operating Expenses

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Loss less gains on disposal of property, plant and equipment	188,222	83,706
Other	841,908	280,934
Total other operating expenses	1,030,130	364,640

29 Finance Income

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Unwinding of present value discount on non-current financial assets		356,175	19,256
Interest income on banks deposits		5,145	18,228
Gain from restructuring of borrowings	20	-	1,661,115
Other		106,189	-
Total finance income		467,509	1,698,599

30 Finance Costs

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Interest expense:			
- on issued bonds		1,413,455	1,509,966
- on bank and other borrowings		2,335,622	1,808,731
Dividends on preference shares		415,415	218,174
Foreign exchange losses less gains			
on borrowings and cash and cash equivalents		326,379	438,634
Unwinding of present value discount on site restoration provision		42,132	39,811
Liability adjustment on commercial discovery bonus		33,181	-
Liability adjustment on reimbursement of historical costs		5,373	-
Less: interest on borrowings reimbursed by DAMU	20	(305,500)	(34,428)
Other		74,698	8,700
Total finance costs		4,340,755	3,989,788

31 Income Tax

Income tax benefit / (expense) comprises the following:

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
Current income tax	(17,249)	(5,149)
Deferred income tax	716,210	859,616
Total income tax benefit / (expense)	698,961	854,467

Provided below is a reconciliation between the expected and the actual income tax benefit / (expense):

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
IFRS (loss) / profit before income tax	(9,382,524)	(378,180)
Theoretical income tax benefit / (expense) at statutory tax rate of 20% (2011: 20%)	1,876,505	75,636
Tax effect of items which are not deductible or assessable for taxation purposes:		
Gain on disposal of interests in subsidiaries	-	1,440,903
Bargain purchase gain	707,597	-
Impairment of investments at cost	-	(207,877)
Impairment of property, plant and equipment	(718,215)	-
Impairment of exploration assets	(471,310)	-
Utilised / (unrecognised) tax losses	-	83,801
Share of losses of associates	(81,223)	(82,593)
Impairment of receivables not related to business activities	-	(166,272)
Sponsorship	-	25,183
Other non-deductible expenses	(614,393)	(314,314)
Total income tax benefit / (expense)	698,961	854,467

<i>In thousands of Kazakhstani Tenge</i>	1 January 2012	Discontinued operations	Business combinations	Recorded to profit and loss	Disposal to assets held for sale	31 December 2012
Tax effect of deductible temporary differences						
Deferred income on government grants	641,295	-	-	(43,725)	-	597,570
Tax losses carried forward	313,335	7,178	-	549,216	(7,178)	862,551
Inventories	159,994	(895)	-	(28,660)	(66,175)	64,264
Site restoration provision	98,356	29,375	-	13,361	(97,529)	43,563
Exploration and evaluation assets	37,597	-	-	(37,597)	-	-
Property, plant and equipment	-	(44,137)	-	210,981	(45,163)	121,691
Trade and other receivables	25,652	(3,280)	-	568	-	22,940
Accruals	5,956	-	-	47,301	-	53,257
Gross deferred income tax assets	1,282,185	(11,759)	-	711,445	(216,035)	1,765,836
Less offsetting with deferred income tax liabilities	(1,082,944)	-	-	387,448	-	(695,496)
Less unrecognized assets	-	-	-	(587,819)	-	(587,819)
Recognised deferred income tax assets	199,241	(11,759)	-	511,074	(216,035)	482,521
Tax effect of taxable temporary differences						
Property, plant and equipment	4,789,792	(126,809)	1,516,750	(533,722)	(3,379,447)	2,266,564
Other	68,740	-	-	(58,862)	(2,808)	7,022
Gross deferred income tax liabilities	4,858,532	(126,809)	1,516,750	(592,584)	(3,382,253)	2,273,636
Less offsetting with deferred income tax assets	(1,082,944)	-	-	367,448	-	(695,496)
Recognised deferred income tax liabilities	3,775,588	(126,809)	1,516,750	(205,136)	(3,382,253)	1,578,140
Continuing operations	-	-	-	716,210	-	-
Discontinued operations	-	115,050	-	-	-	-

SAT & Company JSC
Notes to the Consolidated Financial Statements – 31 December 2012

<i>In thousands of Kazakhstani Tenge</i>	31 December 2011	Recorded to profit and loss	31 December 2012
Tax effect of deductible temporary differences			
Deferred income on government grants	-	641,295	641,295
Tax losses carried forward	303,611	9,724	313,335
Inventories	126,610	33,364	159,994
Site restoration provision	88,143	10,213	98,356
Exploration and evaluation assets	30,193	7,404	37,597
Trade and other receivables	33,009	(7,357)	25,652
Accruals	7,294	(1,338)	5,956
Gross deferred income tax assets	588,860	693,325	1,282,185
Less offsetting with deferred income tax liabilities	(469,443)	(613,501)	(1,082,944)
Recognised deferred income tax assets	119,417	79,824	199,241
Tax effect of taxable temporary differences			
Property, plant and equipment	4,987,315	(197,523)	4,789,792
Other	37,508	31,232	68,740
Gross deferred income tax liabilities	5,024,823	(166,291)	4,858,532
Less offsetting with deferred income tax assets	(469,443)	(613,501)	(1,082,944)
Recognised deferred income tax liabilities	4,555,380	(779,792)	3,775,588

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they relate to the same taxable company.

32 Discontinued Operations

<i>In thousands of Kazakhstani Tenge</i>	2012	2011
SAT Komir	21,571	-
Shalkiya Zinc NV	(1,303,038)	-
Total profit for the year from discontinued operations	(1,281,465)	-

Subsidiaries SAT Komir and Shalkiya Zinc NV were reclassified as assets held for sale and as a result their income and loss were included to profit from discontinued operations.

33 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of common shares in issue during the year, excluding treasury shares.

The Company has no potentially diluted common shares; therefore, the diluted earnings per share are equal to the basic earnings per share.

SAT & Company JSC
Notes to the Consolidated Financial Statements – 31 December 2012

Earnings per share from continuing operations are calculated as follows:

	2012	2011
Profit for the year from continuing operations attributable to the holders of common shares, in thousands of Tenge	(8,683,563)	427,487
Profit for the year from continuing operations, in thousands of Tenge	(8,683,563)	427,487
Weighted average number of outstanding common shares (in thousands)	1,199,385	1,037,787
Weighted average number of outstanding preference shares (in thousands)		118,468
Basic and diluted earnings per common share from continuing operations (Tenge per share)	(6,97)	0.41

Earnings per share from discontinued operations are calculated as follows:

	Note	2012	2011
Profit for the year from discontinued operations attributable to the holders of common shares, in thousands of Tenge		(1,281,465)	-
Profit for the year from discontinued operations, in thousands of Tenge	32	(1,281,465)	-
Weighted average number of outstanding common shares (in thousands)		1,199,385	1,037,787
Basic and diluted earnings per common share from discontinued operations (Tenge per share)		(1,03)	-

34 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

The mining sector in Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for economic stability in Kazakhstan are largely dependent on the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the financial, banking and corporate sectors significantly deteriorated since mid-2008. In 2010-2011 the Kazakhstani economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of Tenge against major foreign currencies, and increased liquidity levels in the banking sector.

Management determined impairment provisions by considering the economic situation and outlook at the end of the reporting period. Provisions for trade and other receivables are determined using the 'incurred loss' model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are. Management performed impairment test of certain non-financial assets and investments at cost.

Management is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Group. Management believes it is taking all the necessary measures to support the sustainability and development of the Group's business.

Tax legislation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retroactive review by the tax authorities for five years. In some cases tax reviews might cover the period of more than five years.

The Group's management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. In the opinion of the Group's management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Transfer pricing

Kazakhstan

According to the Kazakhstani transfer pricing law, the cross-border transactions are subject to the state control over transfer pricing. This law prescribes Kazakhstani companies to maintain and, if required, to provide economic rationale and method of the determination of prices used in cross-border transactions, including existence of the documentation supporting the prices and price differentials applied. Additionally, price differentials cannot be applied in the cross-border transactions with companies registered in offshore countries. In case of deviation of transaction price from market price, the tax authorities have the right to adjust taxable base and to impose additional taxes, fines and interest penalties.

The transfer pricing law in some of its sections does not contain detailed and clear policies on its use in practice (for example, form and content of documentation, which supports discounts), and, therefore, definition of tax liabilities of the Group within transfer pricing policies require interpretation of transfer pricing law.

Russian Federation

The transfer pricing legislation of the Russian Federation that is applicable to transactions on or prior to 31 December 2012 provides the possibility for tax authorities to make transfer pricing adjustments and to impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions.

Significant difficulties exist in interpreting and applying Russian transfer pricing legislation in practice. It is possible, with the evolution of the interpretation of the transfer pricing rules, that transfer prices applied by the Group could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and the overall operations of the Group.

The Group is engaged in transactions which are subject to state control in terms of transfer pricing. Regardless of the inherent risks that the Kazakhstani or Russian tax authorities may question transfer pricing policy of the Group, the management of the Group believes that it will be able to sustain its position in case if transfer pricing policy of the Group will be challenged by the tax authorities. Therefore, no additional tax obligations were recorded by the Group in these consolidated financial statements.

Legal proceedings

From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately.

Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

Site restoration provision

The Group's subsidiaries have a legal obligation to decommission its mining assets and other production assets, and to restore a landfill site after its closure.

Kazakhstani legal environment and practice is continuously evolving, which may result in varying interpretations and changes in the existing legislation, as well as introduction of the new laws and regulations. Management believes that sufficient provisions have been recorded in these consolidated financial statements with respect to asset retirement obligations arising from requirements of existing regulations and the Group's operations. However, the changes in the legislation or its interpretation, as well as changes in management's judgment may require the Group to revise its estimates and recognise additional asset retirement obligations.

Obligations under subsurface use contracts

In accordance with the terms of subsurface use contracts (Note 1), the Group has the following obligations:

- to fulfil minimum work program, which specifies volume of capital expenditures, geological, production and processing expenditures, and their estimated cost that should be completed during the term of subsurface use contracts;
- to finance certain social infrastructure projects;
- to finance professional training of Kazakhstani personnel;
- to pay commercial discovery bonus in the case of commercial discovery;
- to reimburse the historical costs incurred by the state related to geological information.

In accordance with the Law of the Republic of Kazakhstan on Mineral Resources and Subsurface Use, the Ministry of Industry and New Technologies has a right to terminate subsurface use contracts unilaterally in case of material breach of obligations stipulated by subsurface use contracts and work program.

The Group is subject to periodic reviews by governmental authorities with respect to its compliance with the requirements of respective subsurface use contracts. Management cooperates with governmental authorities to agree on remediation actions necessary to resolve any findings resulting from these reviews. Failure to comply with the contractual terms could result in fines, penalties, restriction, suspension or termination of the contract. The Group's management believes that any matters of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Group's financial position.

Social projects obligation

In accordance with the terms of subsurface use contracts, the Group is obliged to finance certain social infrastructure projects on an annual basis. Fulfilment of such obligations may be in the form of cash payments. Obligation represents fixed amount or 1% of the budgeted operational expenditures for the year. Management believes that as at 31 December 2012 the Group has fully complied with its social projects financing requirements.

Training of Kazakhstani personnel

In accordance with the terms of subsurface use contracts, the Group is obliged to finance professional training of Kazakhstani personnel at the amount not less than 0.1%-1.0% of total operational expenditures for the year stated in annual minimum work program. Management believes that as at 31 December 2012 the Group has fully complied with Kazakhstani personnel training requirements.

Obligation on payment of commercial discovery bonus and reimbursement of historical costs

In accordance with the terms of subsurface use contracts the Group is obliged to pay commercial discovery bonus at a fixed rate applied to the value of recoverable reserves once commercial discovery is approved by the competent authority.

In accordance with the terms of subsurface use contracts the Group is obliged to reimburse historical costs related to geological information and other costs incurred by the Republic of Kazakhstan with respect to exploration of contractual territories prior to transfer of subsurface use rights to the Group. Principal payments related to reimbursement of historical costs are made upon commencement of production after commercial discovery.

Capital expenditure commitments

Construction of the road

In 2011, Arman 100 entered into an agreement for the construction of a bypass road for a section of the public road that intersects the West Kamys mine for the total amount of Tenge 1,100,000 thousand. The current route of the road prevents the exploitation of this area of manganese ore. The Group received permission from the Ministry of Transport and Communication of the Republic of Kazakhstan to move this section of road.

Other capital expenditure commitments

In 2011, Arman 100 commenced construction of the processing plant that is planned to be completed in the end of 2012. The Group entered into an agreement for plant construction with Road Construction Technics, related party of the Group, for the total amount of Tenge 1,185,570 thousand.

35 Financial Instruments by Category

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
<i>Loans and receivables</i>			
Other non-current financial assets	12	1,443,165	5,977,977
Trade and other financial receivables	14	11,793,113	16,544,503
Other current financial assets	15	-	16,769
Cash and cash equivalents	16	501,580	738,608
Total loans and receivables		13,737,858	23,277,857
Investments available for sale	15	-	-
Investments at cost	11	-	-
Total financial assets		13,737,858	23,277,857
<i>Financial liabilities at amortised cost</i>			
Borrowings	20	33,702,943	34,712,687
Other non-current liabilities	21	3,705,792	3,221,593
Trade and other financial payables	22	2,997,604	2,232,090
Total financial liabilities		40,406,339	40,166,370

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Board of Directors of the Company, which provides principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from issued guarantees, non-current and current financial receivables, other current financial assets, restricted cash and cash and cash equivalents. The carrying amount of non-current and current financial receivables, other current financial assets, restricted cash and cash and cash equivalents represent the maximum amount of credit risk exposures. With respect to banks and financial institutions, only entities with high ratings are accepted. The Group does not have the system of assessing the creditworthiness of its customers, policy for assigning internal ratings and setting credit limits for counterparties.

The table below shows credit ratings (if available) as at the end of the relevant reporting period:

<i>In thousands of Kazakhstani Tenge</i>	Rating (Moody's)	2012	2011
Current financial receivables	Not available	11,793,113	16,544,503
Non-current financial receivables	Not available	1,398,308	3,359,644
Restricted cash	Not available	44,857	2,602,666
Term deposits	Ba3	-	16,769
Funds transferred to investment portfolio management	Not available	-	15,667
Cash and cash equivalents			
Alliance Bank	B3	360,506	130,145
Nurbank	Ba3	6,592	118,205
Іş Bankası	Bb	3,432	96,492
Sberbank of Russia	Ba2	5,466	81,262
Halyk Bank	Ba2	758	31,847
ATF Bank	Ba2	2,014	21,838
Eurasian Bank	B1	2,062	14,325
J&T Bank JSC		63,786	-
Other	Not available	25,266	144,274
Total cash on current accounts and term deposits		469,882	638,388
Total maximum exposure to credit risk		13,706,160	23,177,637

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages the liquidity risk using short-term (one month) forecasts of the expected cash flows from operating activities. The Group has developed a range of internal regulations, aimed at establishing control procedures for appropriate placement of temporary excess cash, invoice processing and payments, as well as preparation of operational budgets. The Group's objective is to maintain the balance between the continuous financing and flexibility using the bank term deposits.

The following table summarises the Group's financial liabilities by maturities, indicating the time remaining as at reporting date till the maturity dates stipulated under the terms of contracts.

<i>In thousands of Kazakhstani Tenge</i>	On demand and less than 1 month	1-6 months	6-12 months	1-3 years	Over 3 years
<i>At 31 December 2012</i>					
Borrowings	-	12,518,213	865,556	16,373,137	3,946,037
Other non-current liabilities	-	-	-	16,597	3,689,195
Trade and other financial payables	2,997,604	-	-	-	-
Financial guarantees	-	-	-	-	-
Total financial liabilities	2,997,604	12,518,213	865,556	16,389,734	7,635,232
<i>At 31 December 2011</i>					
Borrowings	114,316	7,889,598	7,887,781	5,853,455	16,146,747
Other non-current liabilities	-	-	329,682	989,045	4,285,861
Trade and other financial payables	1,515,521	716,569	-	-	-
Financial guarantees	-	8,016,758	-	-	-
Total financial liabilities	1,629,837	16,622,925	8,217,463	6,842,500	20,432,608

In the table above the maximum amount of the issued financial guarantee is allocated to the earliest period in which the guarantee could be called (Note 34).

Management estimates that financial aid given to related parties can be realised in cash within a month in order to meet unforeseen liquidity requirements.

(c) Market risk

Interest rate risk

Revenues and operating cash flows of the Group are not subject to changes in market interest rates because interest rates on borrowings are fixed. However, the Group is exposed to fair value changes in interest rates.

The Group has no formal agreements for the analysis and reduction of the risks associated with changes in interest rates.

Foreign exchange risk

Foreign exchange risk arises when future foreign currency inflows, or recognised assets and liabilities, are denominated in currencies other than the functional currency of the Group entities.

The Group is exposed to currency risk mainly in respect of borrowings and payables to suppliers and vendors, denominated in US Dollars. Exposure to currency risk in respect of cash and cash equivalents is insignificant, because they are mainly denominated in Tenge (Note 16). Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and these instruments are rather expensive management has chosen not to hedge the Group's foreign exchange risk, as currently benefits from implementing such instruments do not outweigh the costs. Nevertheless, the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of assets and liabilities denominated in a foreign currency that give rise to foreign exchange risk:

<i>In thousands of Kazakhstani Tenge</i>	US Dollar	Euro	Russian Rouble	Pound Sterling	Turkish Lira	Total
<i>As at 31 December 2012</i>						
Assets	3,435,355	-	219,128	-	18,098	3,672,580
Liabilities	(15,355,807)	(6,199)	(210,462)	(12,562)	(52,169)	(15,637,199)
Net position	(11,920,452)	(6,199)	8,666	(12,562)	(34,071)	(11,964,619)

<i>As at 31 December 2011</i>						
Assets	6,972,549	42,854	140,065	-	772	7,156,260
Liabilities	(14,546,241)	(44,245)	(241,937)	(23)	(110,265)	(14,942,711)
Net position	(7,573,692)	(1,391)	(101,852)	(23)	(109,493)	(7,786,451)

At 31 December 2012, if Tenge had weakened/strengthened by 10% against the US Dollar with all other variables held constant, the profit for the year would have decreased/increased by Tenge 1,535,581 thousand (31 December 2011: decreased/increased by Tenge 605,895 thousand).

Price risk

The Group is not exposed to price risk of equity securities since it does not have any portfolio of quoted equity securities.

Capital management

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

Consistent with others in the industry, the Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is the equity as shown in the consolidated statement of financial position plus net debt. In 2011, the Group's strategy was to maintain gearing ratio in the range from 50% to 60%.

<i>In thousands of Kazakhstani Tenge</i>	Note	2012	2011
Total borrowings	20	33,702,943	34,712,667
Less cash and cash equivalents	16	(501,580)	(738,608)
Net debt		33,201,363	33,974,079
Total equity		24,416,029	29,045,112
Total capital		57,617,392	63,019,191
Gearing ratio		58%	54%

36 Fair Value of Financial Instruments

Fair value estimate

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

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

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of trade and other financial receivables and other current financial assets approximate their fair values due to their short term nature. Carrying value of non-current financial assets approximate their fair values as effective interest rates determined at the origination of the financial instruments approximate market interest rates at 31 December 2011 for the similar instruments.

Financial liabilities carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted using current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

37 Events after the Reporting Period

Issue and repurchase of own shares

In 2013 the Company repurchased its own 14,334,670 common shares for the total amount of Tenge 204,761 thousand. There are no other significant changes in the Company.

Signed on behalf of the management on 30 May 2013



Rumiya Sagitova
Deputy of Chairman of the Management Board



Nadezhda I. Sharabok
Chief Accountant