Explanatory notes to the Interim Consolidated Financial Statements SAT & Company JSC For 1 quarter 2014

Explanatory notes to the interim consolidated financial statements for 1 quarter 2014.

General Information

Organization and principal activities

SAT & Company JSC (hereinafter "the Company") is a joint stock company in the meaning defined in the Civil Code of the Republic of Kazakhstan. The Company's registered office is at 241, Mukanov Str., Almaty, 050008, Republic of Kazakhstan. These interim consolidated financial statements comprise the financial statements of the Company and its subsidiaries (hereinafter "the Group").

The principal activities of the Company and its subsidiaries as of June 30, 2013 are as follows:

The Company/subsidiary	Principal activity
Sat &Company JSC	Investment activities
Taraz Metallurgy Plant LLP	Metal production
KARUAN LLP	Subsurface use
Saryarka Mining LLP	Subsurface use
Arman 100 LLP	Subsurface use
Taraz Elektrode Plant LLP	Production and sale of electrode paste and repair masses
CAICC LLP	Investment activities
SAT&Co HOLDING A.S. JSC, Turkey	Trading activity
FNP "Ertys" LLP	Nickel ore exploration
Kaznickel LLP	Nickel ore exploration
Trade House SAT LLC	Trading activity
Temirtau Electro Metallurgical Plant JSC (TEMP)	Metallurgical production / subsurface use
SAT SinoFerroAlloy B.V. /Netherlands/	Metallurgical production / subsurface use

SAT&Company JSC was established in October 2011. In 2006 the Company was reregistered as Joint Stock Company.

Business environment

The Group operations are subject to economic, political and social risks inherent in doing business in Kazakhstan as well as abroad. These risks include matters arising from the policies of the government, economic conditions, the imposition of or changes to taxes requirements and other legal regulations, foreign exchange fluctuations and the enforceability of contractual rights.

The attached consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and financial position of the Group. The future business environment could marginally differ from management's current assessment.

Basis of preparation

These consolidated interim financial statement have been prepared in accordance with International Financial Reporting Standards (interpretations IFRS and IFRIC), as issued by International Accounting Standards Board (IASB), including IAS 34 "Interim financial statements" and also those parts of Kazakhstan legislation which are applicable to the Company, that prepares its financial statements in accordance with IFRS.

The management believes, that this consolidated interim financial statements include all the necessary adjustments for the fair presentation of the financial position of the Group, its operating results and the results of cash flows for 1 quarter 2014.

New Accounting Regulations

Standards, amendments and interpretations effective from 2014 and adopted by the Group:

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Adoption of the revised standard resulted in revision of disclosures but did not have effect on the recognition or measurement of transactions and financial position of the Group;

- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011).

Standards and the interpretations of operating standards which are becoming valid starting from January 1, 2013 or after this date, but did not affect activities of the Group are not described in these notes.

Standards, amendments and interpretations to existing standards which are not effective or early adopted by the Group:

- Amendment to IAS 12, Income Taxes (effective for the annual periods beginning on or after 1 January 2012). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 13, Fair value measurement, (issued in May 2011 and effective for periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 10, Consolidated financial statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011 and effective for periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in August 2011 and effective for annual periods beginning on or after 1 January 2013). Group is considering the implications of the aforementioned new standards, amendments and interpretations to existing standards on its consolidated financial statements and dates of their adoption;
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features of the standard are as follows:
- The adoption of IFRS 9 from 1 January 2015 is mandatory and early application is permitted. Currently, the Group is considering effects of adoption of the Standard, its influence on the Group and the date of Standard adoption by the Group.

Standards, corrections and interpretations which are not valid yet and the Group did not apply them in view of the operations absence.

Below amendments and interpretations of standards which were published are presented and are obligatory for the reporting periods of Group starting from January 1, 2012 and after this date, or for later periods, but do not concern operating activities of Group:

- Changes to IFRS 1 "First-time Adoption of International Financial Standards" (valid from July 1, 2011 or after this date);
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);

Bases of Consolidation

These consolidated financial statements reflect the Group's financial position as of March 31, 2014 as well as the result financial operations of the Group for the period ended December 31, 2013 and March 31, 2014.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity in order to benefit from these activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date of actual transition of control to the date of its termination.

Associates

Associates are the entities over which the Group has significant control (directly or non directly), but not control over financial and operating policies, shares in these companies equals 20% - 50%. Investments in associated entities accounted on the base of equity method and initially recognized at cost. Dividends received from associated entities are accounted against investment cost in these associated companies.

Transactions eliminated at consolidation

All intergroup accounts and transactions, as well as unrealized profit from intergroup transactions are eliminated when preparing consolidated financial statements. Unrealized profit from transactions with associated entities and entities under joint control are eliminated in accordance with share of the Group in these entities. Unrealized profit from associated entities is eliminated from investments into the associates. Unrealized losses are eliminated as unrealized profit but they are eliminated to the extent that there is no evidence of impairment.

Bases of measurement

These consolidated financial statements were prepared in accordance with historical cost principal.

Functional currency and presentation currency

National currency of Kazakhstan is Kazakhstan Tenge (hereinafter "KzT") which is the functional currency of the Company as well as the currency used to prepare these consolidated interim financial statements in accordance with IFRS. All financial information is presented in thousands of tenge.

Use of assumptions and estimates

For preparation of these consolidated interim financial statements in accordance with IFRS management make judgments, estimates and assumptions, which affects the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities. Actual results might differ from those estimates.

Assumptions and estimates are regularly revised for the need of making changes. Changes in estimates are recognized in the reporting period in which they were revised and in all subsequent periods affected by those changes.

Summary of significant accounting policy

When preparing of the consolidated interim financial statements in accordance with IFRS primary accounting policies were applied. Those accounting policies were applied consistently.

Foreign currency transactions

Foreign currency transactions are translated into tenge at the exchange rates effective at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated into tenge at the exchange rate effective at this reporting date. Non-monetary assets and liabilities denominated in foreign currency and carried at fair value are translated into tenge at the exchange rate effective at the date when fair value was determined. Exchange income and losses are recognized in the income statement.

Property, plant and equipment

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.

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:

	Useful lives (in years)
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.

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.

Exploration and evaluation assets

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.

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.

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.

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.

Finance instruments

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.

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.

Trade receivables

Trade receivables 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.

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts and short term deposits with maturity less than three months.

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.

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.

Trade payables

Trade payables are accrued when the counterparty performed its obligations under the contract. Trade 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.

Revenue

Revenues are recognized to the extent that it is more likely that economic benefits will flow to the Group and the amount of revenue may be reliably estimated. Proceeds from sale of goods are recognized in the income statement at the time when all risks and benefits from such ownership are transferred to the customer, usually after transfer of title for the goods.

Interest income

Interest income comprises interest income from investments and proceeds from deposites. Interest income is recognized as it accrues using the effective interest rate.

Interest expenses

Interest expenses include interest expenses on borrowings, interest expenses on bonds payable and preferred shares, and amortization of discount on provisions. All interest expenses and other expenses incurred on borrowings are charged to finance expenses incurred.

Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognized in the income statement except for the cases when it relates to items recognized directly to equity, in which cases it is recognized in equity statement.

Dividends

Dividends are recognized as liabilities in the period in which they were approved by the shareholders. Dividends on preferred shares are recognized as liabilities each reporting period during the year between payments and accounted for 1 tenge for 1 share.

Notes to the consolidated interim statement of comprehensive income

Revenue

	1 quarter 2014	**1 quarter 2013**
Sale of metal	1 249 168	2 510 885
Sale of carbide calcium	528 292	490 928
Sale of chalk stone	327 354	235 536
Sale of coal	-	226
Other	80 952	7 232
Total	**2 185 766**	**3 244 807**

Revenue by location

	1 quarter 2014	1 quarter 2013
The Republic of Kazakhstan	1 826 861	1 115 781
The Russian Federation	199 487	1 965 808
The Republic of Moldova	55 176	50 002
Chinese National Republic	38 445	-
Uzbekistan	33 415	-
The Republic of Kyrgystan	8 011	9 131
Tadzhikistan	8 009	9 145
Ukraine	-	29 067
Turkmenia	-	9 168
Other regions	16 362	56 705
Total	**2 185 766**	**3 244 807**

Cost of goods sold

	1 quarter 2014	1 quarter 2013
Electricity	567 163	873 694
Materials and supplies	525 482	1 623 639
Overhead expenses	252 534	26 630
Salary and related taxes	148 775	373 778
Auxiliary shops services	113 354	300
Services of contractors (excavation and other)	96 965	12 853
Depreciation, amortization and depletion	64 902	193 287
Fuel	60 378	130 505
Taxes	29 950	66 624
Repair and maintenance	13 527	4 057
Rent of equipment	6 435	6 778
Rock mass excavation and transportation, refinery services	2 698	-
Payments for usage of wagons	1 500	-
Transportation	-	3 551
Business trip expenses	-	1 342
Changes in finished goods and work in progress	(90 322)	(150 067)
Other	23 380	68 275
Total	**1 816 721**	**3 235 246**

Selling Expenses

	1 quarter 2014	1 quarter 2013
Transportation	72 668	129 745
Salary	17 311	18 319
Materials and Supplies	10 624	26 851
Rent and railway services	9 734	-
Other	17 552	16 792
Total	**127 889**	**191 707**

General and administrative expenses

	1 quarter 2014	1 quarter 2013
Salary and related taxes	305 713	409 919
Depreciation and amortization	133 298	30 605
Fines and penalties	80 312	2 497
Taxes	51 049	58 178
Security	47 412	64 106
Communication and utilities	19 340	10 773
Sponsorship and other financial aid	15 400	47 592
Legal services, consultations, etc.	12 372	20 956
Rent	9 319	17 866
Business trip expenses	8 200	19 152
Materials	8 059	27 792
Bank services	3 809	5 545
Other	81 458	47 591
Total	**775 741**	**762 572**

Other operating income

	1 quarter 2014	1 quarter 2013
Foreign exchange gain	1 235 694	297 193
Gain from sale of investments and business acquisitions	410 000	-
Income from sale of fixed assets	257 104	4 820
Income from grab iron and other products	-	83 840
Other	53 458	25 606
Total	**1 956 256**	**411 459**

Other operating expenses

	1 quarter 2014	1 quarter 2013
Foreign exchange loss	3 416 955	88 194
Loss from sale of investments	695 014	-
Loss from disposal of fixed assets	88 810	61 405
Other	35 571	15 646
Total	**4 236 350**	**165 245**

Interest income

	1 quarter 2014	1 quarter 2013
Recovery of provision	2 674	-
Income from deposits	247	1 027
Other	448	1 458
Total	**3 369**	**2 485**

Interest expense

	1 quarter 2014	1 quarter 2013
Interest expenses – bank loans	556 077	394 654
Interest expenses – bonds	233 664	367 590
Dividends	98 159	97 298
Recovery of discount	102 964	(94 074)
Other	159 205	1 820
Total	**1 150 069**	**767 288**

Notes to consolidated interim statement of financial position
Current assets

Cash and Cash Equivalents

As of March 31, 2014 cash amounted to KzT 290 458 thousand. Cash are kept on current bank accounts and non restricted.

Other short-term financial assets

	As of March 31, 2014	As of December 31, 2013
Financial aid	48 461 199	49 314 801
Total	**48 461 199**	**49 314 801**

Short-term trade and other receivables

	As of March 31, 2014	As of December31, 2013
Trade receivables	2 637 364	2 731 522
Short-term receivables from employees	-	90 000
Financial aid	-	11 500
Provision for doubtful debts	(182 892)	(1 188 871)
Other receivables	293 523	309 499
Total	**2 747 995**	**1 953 650**

Inventory

	As of March 31, 2014	As of December31, 2013
Finished products	1 095 439	1 067 663
Raw materials	954 404	848 070
Work in progress	214 962	76 010
Goods for sale	16 890	11 042
Other	24 112	8 007
Provision for obsolete inventory	(109 628)	(276 359)
Total	**2 196 179**	**1 734 433**

Other current assets

	As of March 31, 2014	As of December31, 2013
Short-term advances paid	3 129 978	352 043
Input VAT	974 051	992 951
Other current taxes	73 292	72 619
Prepaid expenses	15 465	12 556
Provision for doubtful debts	(14 112)	(10 013)
Other	9 505	4 590
Total	**4 188 179**	**1 424 746**

Assets for sale

	As of March 31, 2014	As of December31, 2013
Assets of SAT&Company JSC	725 406	732 559
Assets of SAT Komir JSC	-	2 983 817
Total	**725 406**	**3 716 376**

Non-current assets

Long-term trade and other receivables

	As of March 31, 2014	As of December31, 2013
Long-term receivables from employees	205 319	251 736
Other long-term receivables	59 087	59 064
Total	**264 406**	**310 800**

Investment property

	As of March 31, 2014	As of December31, 2013
Property included in Temirtau Electro Metallurgical Plant JSC	2 772 804	2 772 804
Total	**2 772 804**	**2 772 804**

Exploration and evaluation assets

	As of March 31, 2014	As of December31, 2013
Exploration and evaluation assets at the beginning of the period	1 720 516	3 825 714
Depreciation of exploration and evaluation assets	-	-
Additions to exploration and evaluation assets	126 161	-
Transfer to presentation currency	-	(107 648)
Impairment	-	(1 997 550)
Exploration and evaluation assets at the end of the period	**1 846 677**	**1 720 516**

Intangible assets

	As of March 31, 2014	As of December31, 2013
Licenses, subsurface use right	1 887 887	1 887 887
Other	32 638	35 079
Total	**1 920 525**	**1 922 966**

Other long-term assets

	As of March 31, 2014	As of December31, 2013
Advances paid for fixed assets	906 277	549 812
Long-term part of input VAT	825 848	843 963
Advances paid for other long-term assets	50 008	755 308
Restricted cash	38 724	26 414
Other	202 745	173 227
Total	**2 023 602**	**2 348 724**

Property, plant and equipment

	Land	Buildings and Construction	Machinery and Equipment	Transport, furniture, computers and other office equipment	Construction in progress	Total
Cost at the beginning of the period	**3 397 447**	**8 078 228**	**9 309 924**	**1 276 379**	**3 411 095**	**25 473 073**
Accumulated depreciation	-	(2 826 748)	(3 500 348)	(491 507)	-	**(6 818 603)**
Carrying amount at the beginning of the period	**3 397 447**	**5 251 480**	**5 809 576**	**784 872**	**3 411 095**	**18 654 470**
Additions	-	-	36 808	16 366	521 053	574 227
Disposals	(30)	(6 371)	(14 531)	(341)	-	(21 273)
Depreciation	-	(31 368)	(154 502)	(27 889)	-	(213 759)
Depreciation on disposals	-	2 372	1 384	201	-	3 957
Carrying amount at the end of the period	**3 397 417**	**5 245 109**	**5 831 853**	**800 897**	**3 932 148**	**19 207 424**
Accumulated depreciation	-	(28 996)	(153 118)	(27 688)	-	(209 802)
Carrying amount at the end of the period	**3 397 417**	**5 216 113**	**5 678 735**	**773 209**	**3 932 148**	**18 997 622**

As of March 31, 2014 fixed assets of KzT 17,201,333 thousand are pledged as bank collateral.

Current liabilities

Short term borrowings

This note discloses information about loans and credit arrangements of the Group.

	As of March 31, 2014	As of December31, 2013
Alliance Bank JSC	2 040 465	2 700 668
Bank RBK JSC	-	532 361
Other	4 025	-
Total short-term loans	**2 044 490**	**3 233 029**

Other short-term financial liabilities

	As of March 31, 2014	As of December31, 2013
Dividends on preferred shares	294 748	196 318
Interest payable on loans	460 123	316 099
Bonds as part of other short-term financial liabilities	322 280	322 280
Other	-	9 247
Total	**1 077 151**	**843 944**

Short-term trade and other payables

	As of March 31, 2014	As of December31, 2013
Trade payables to suppliers	5 077 557	3 537 053
Interest payable on loans	436 475	366 364
Other payables	4 718 769	4 917 249
Total	**10 232 801**	**8 820 666**

Other current liabilities

	As of March 31, 2014	As of December31, 2013
Advances received	1 663 273	1 796 737
Taxes payable	101 898	312 051
Short-term part of deferred income	301 995	218 623
Other	-	267 793
Total	**2 067 166**	**2 595 204**

Liabilities of subsidiaries for sale

	As of March 31, 2014	As of December31, 2013
Liabilities of SAT Komir JSC	3 563 043	1 703 135
Total	**3 563 043**	**1 703 135**

Non-current liabilities.

Long term borrowings

	As of March 31, 2014	As of December31, 2013
SberBank of Russia JSC	15 365 431	12 726 699
Halyk Bank JSC	2 331 344	-
Other	885	5 106
Total loans	**17 697 660**	**12 731 805**

Other long-term liabilities

	As of March 31, 2014	As of December31, 2013
Debt component of preferred shares	3 717 908	3 717 907
Deferred income	2 550 605	2 550 605
Commercial discovery bonus	529 519	529 519
Historic expenses	80 743	80 743
Actuarial liabilities	-	3
Other	1 216 627	1 009 177
Total	**8 095 402**	**7 887 954**

Issued bonds

The Group registered two bonds payable issuance:

1st bond issuance:

On January 3, 2008 the Company issued 150 million of unsecured coupon bonds, with nominal value of KzT 100. Bonds are subject to repayment in seven years from the date of issue at their nominal value. Payment of coupon is performed twice a year, on January 3 and on June 3. Coupon rate for 11 coupon period ending January 3, 2014 is 7.9% per annum. As of March 31, 2014 the bonds are placed in the quantity of 119 976 047.

Company recognized discount on bonds. Discount is depreciated using effective interest rate method; the interest rate is defined at each coupon payment date.

	As of March 31, 2014	As of December31, 2013
Bonds at nominal value	11 997 605	11 997 605
Discount	(322 375)	(424 239)
Bonds part of other short-term financial liabilities	(322 280)	(322 280)
Carrying value of long-term financial liabilities on the 1st bond issue	**11 353 950**	**11 251 086**

2nd bond issuance:

On August 2, 2012 the Company issued 60 million of unsecured coupon bonds, with nominal value of KzT 100. Bonds are subject to repayment in seven years from the date of issue at their nominal value.

Payment of coupon is performed twice a year, on February 2 and on August 2. For the first year coupon rate is 12% per annum and starting from the second year coupon rate is flexible depending on inflation defined each 6 months.

Upper limit is defined on the level of max=12% per annum and lower level as min=3% per annum.

Coupon rate for 2 coupon period ending on February 2, 2014 is 8.9% per annum. As of March 31, 2014 the bonds are placed in the quantity of 11 855 880.

Company recognized premium on bonds. Discount is depreciated using effective interest rate method; the interest rate is defined at each coupon payment date.

	As of March 31, 2014	As of December31, 2013
Bonds at nominal value	1 185 588	1 185 588
Premium	68 935	71 392
Carrying value of long-term financial liabilities on the 2nd bond issue	**1 254 523**	**1 256 980**
Total financial liabilities	**12 608 473**	**12 508 066**

Equity

The equity of the Group amounting to KzT 30 629 148 thousand, consists of share capital, debt component of preferred shares, treasury equity, reserves, retained earnings and non-controlling interests as of the reporting date.

Total number of authorized ordinary shares and preferred shares equaled to 3 000 000 000 (three billion) and the number of the preferred shares amounted to 750 000 000 (seven hundred fifty million), respectively.

As of reporting date treasury shares amounted to KzT 31 583 817 thousand and included:

- placed ordinary shares 1 236 300 836 for the total amount of KzT 19 399 298 thousand;
- placed preferred shares 392 637 822 for the total amount of KzT 12 184 519 thousand.

Debt component totaling to KzT 3 717 908 thousands was comprised from preferred shares.

As of reporting date repurchased shares equaled to:

Ordinary shares 10 420 747 for the total amount of KzT 617 460 thousand;

Preferred shares 2 for the total amount of KzT 60.

Reserves include recalculated effect of investment in the amount of KzT 11 290 420 thousand and foreign currency translation reserve in the amount of KzT 580 813 thousand and total amounted to – KzT 10 871 233 thousand. Accumulated deficit amounted to KzT 14 251 932 thousand and share of minority interest amounted to KzT 312 859 thousand.

Carrying amount of one ordinary share

	As of March 31, 2014	As of December31, 2013
Total assets	90 738 969	90 352 842
Intangible assets	1 920 525	1 922 966
Liabilities	60 422 680	56 148 707
Preferred shares	12 184 519	12 184 519
Net assets for ordinary shares	**16 211 245**	**20 096 650**
Number of ordinary shares, thousand pcs.	1 236 301	1 236 290
Carrying amount KzT	**13,11**	**16,26**

Balance value of one ordinary share is calculated as proportion of net assets for ordinary shares to the number of ordinary shares as of reporting date.
Net assets are calculated as difference between assets and liabilities, less intangible assets and less preferred shares.

Carrying amount of one preferred share:

	As of March 31, 2014	As of December31, 2013
Accrued dividends	294 478	196 318
Preferred shares	12 184 519	12 184 519
Including debt component of the preferred shares	3 717 908	3 717 908
Number of preferred shares, pcs	392 638	392 638
Carrying amount, KzT	**31,78**	**31,53**

Balance value of one preferred share is calculated as proportion of balance of preferred shares including accrued dividends liabilities and debt component of the preferred shares to the number of preferred shares as at the reporting date.

Company owners:

Shareholders possessing ten and more percent of placed ordinary shares of the JSC (less the shares repurchased by the Company) as of reporting date.

- Rakishev Kenges Khamituly – 51,85%;
- SFK KOR Invest LLP – 22,91%;
- ENPF JSC – 17,30%.

Profit per Share

Profit per share is calculated as relation of the net profit to weighted average number of ordinary shares as at the reporting date. Profit per share takes into accounts the split of shares of November 20, 2008. There is no potential ordinary shares with dilution effect in the Group.

	As of March 31, 2014	**As of December31, 2013**
Net income/(loss) attributable to shareholders	(3 888 244)	(1 558 074)
Weighted average number of ordinary shares in thousands	1 236 296	1 236 424
Profit (loss) per share attributed to JSC shareholders (KzT)	**(3,15)**	**(1,26)**

Capital Management

Management of the Group keeps the capital leverage which is sufficient to ensure confidence of the investors, creditors and market as a whole, and to provide business growth rate in the future. Group Management controls the return on investments ratio and tries to keep the balance between high profitability (which is possible with higher borrowings level) and advantages and security of the stable capital funds. There were no changes in the Group's capital management policy during the reporting period.

Actions at Law

In the main course of the business the Group faces the litigations and claims. Management believes that total liabilities, if such will appear, arising as a result of such proceedings and claims, will not have a significant negative influence on the financial position of the Group.

As of March 31, 2014 the Group was not involved into any significant litigation issues including arbitration considerations.

R. Sagitova
Deputy Chairman of the Board on Finance and Investments

N. Sharabok
Chief Accountant