SAT & Company JSC

International Financial Reporting Standards

Consolidated Financial Statements and Independent Auditor's Report

31 December 2013

Sat&Co®
MANAGING COMPANY

Contents

Director
IAC Centeraudit-Kazakhstan LLP
(State audit license MFU No. 0000017
dated 27 December 1999)
V. Radostovets
27 June 2014

To Shareholders and Board of Directors of SAT&Company JSC

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of SAT&Company JSC and its subsidiaries (hereinafter referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group present fairly, in all material respects, the financial position of SAT&Company JSC and its subsidiaries as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 hereof stating that as at 31 December 2013 most of the Group's subsidiaries are on the stage of exploration, evaluation and early development. This circumstance, along with other aspects as set forth in Note 4 hereof, indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

O. Shmidt
Auditor
(Auditor Qualifying Certificate No. 307 issued on 23 December 1996)

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050059, Almaty,
Republic of Kazakhstan

SAT&Company JSC
Consolidated Statement of Financial Position

In thousands of Kazakhstani Tenge	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	18,709,948	24,434,807
Exploration and evaluation assets	9	1,687,142	3,825,714
Investment property	10	1,625,203	2,853,372
Intangible assets	11	1,879,117	2,063,609
Investments in associates and joint ventures	12	6,354,157	6,829,171
Deferred income tax assets	34	1,099,487	867,881
Other non-current assets	14	2,451,084	4,249,811
Total non-current assets		**33,806,138**	**45,124,365**
Current assets			
Inventories	15	1,638,306	2,124,312
Receivables	16	52,523,511	12,604,340
Other current assets	17	901,669	1,561,137
Cash and cash equivalents	18	333,688	501,688
Non-current assets and assets of disposal groups classified as held for sale	19	3,977,015	25,674,677
Total current assets		**59,374,189**	**42,466,154**
TOTAL ASSETS		**93,180,327**	**87,590,519**
EQUITY			
Authorised capital	20	27,865,602	27,764,542
Treasury shares	20	(617,460)	(585,015)
Foreign currency translation reserve		(92,318)	(211,359)
Other reserves		(11,290,420)	(11,290,420)
Retained earnings		18,194,654	15,154,175
Equity attributable to the Group's shareholders		**34,060,058**	**30,831,923**
Non-controlling shareholders		(169,014)	1,187,892
TOTAL EQUITY		**33,891,044**	**32,019,815**
LIABILITIES			
Non-current liabilities			
Site restoration provision	21	1,701,616	1,104,158
Loans	22	22,824,688	20,166,981
Deferred income tax liabilities	34	1,351,189	2,111,993
Other non-current liabilities	23	6,996,557	7,175,884
Total non-current liabilities		**32,874,050**	**30,559,016**
Current liabilities			
Loans	22	11,235,697	10,487,523
Payables	24	9,286,764	5,389,831
Liabilities of disposal groups classified as held for sale	19	5,892,772	9,134,334
Total current liabilities		**26,415,233**	**25,011,688**
TOTLAL LIABILITES		**59,289,283**	**55,570,704**
TOTAL LIABILITIES AND EQUITY		**93,180,327**	**87,590,519**
Carrying amount of ordinary share, KZT		**19.05**	**17.44**
Carrying amount of preferred share, KZT		**31.53**	**31.52**

Signed on behalf of the management on 27 June 2014

Rollan Mussinov
First Deputy Chairman of the Board

Nadezhda Sharabok
Chief Accountant

SAT&Company JSC
Consolidated Statement of Profit and Loss and Other Comprehensive Income

In thousands of Kazakhstani Tenge	Note	2013	2012
Continuing operations			
Revenue	25	11,487,183	15,696,670
Cost of sales	26	(15,338,506)	(16,445,586)
Gross loss		**(3,851,323)**	**(748,916)**
Profit from business combination	5	-	5,441,762
Other operating income	27	1,130,665	932,966
Exploration and evaluation expenses	28	(2,188,795)	(273,790)
General and administrative expenses	29	(10,526,218)	(2,454,600)
Selling expenses	30	(615,813)	(773,164)
Other operating expenses	31	(2,536,503)	(730,628)
Operating (loss) / profit		**(18,587,987)**	**1,393,630**
Finance income	32	405,044	467,490
Finance costs	33	(3,510,308)	(4,398,885)
Share of loss in associates	12	(240,163)	(406,114)
Loss before tax		**(21,933,414)**	**(2,943,879)**
Income tax savings	34	978,915	1,010,954
(Loss) / profit for the year from continuing operations		**(20,954,499)**	**(1,932,925)**
Discontinued operations			
(Loss) / profit for the year from discontinued operations	35	22,988,340	(1,047,460)
(Loss) / profit for the year		**2,033,841**	**(2,980,385)**
Other comprehensive income			
Exchange differences on translation to presentation currency		121,673	67,720
Total comprehensive (loss) / income for the year		**2,155,514**	**(2,912,665)**
(Loss) / profit attributable to:			
Shareholders of the Group		1,788,120	(2,356,887)
Non-controlling shareholders		245,721	(623,498)
(Loss) / profit for the year		**2,033,841**	**(2,980,385)**
Total comprehensive (loss) / income attributable to:			
Shareholders of the Group		1,907,161	(2,296,334)
Non-controlling shareholders		248,353	(616,331)
Total comprehensive (loss) / income for the year		**2,155,514**	**(2,912,665)**
(Loss) / earnings per share attributable to the shareholders of the Group, basic and diluted (in Tenge per share)			
From continuing operations			
Ordinary shares	36	(12.88)	(1.22)
Preferred shares	36	(12.88)	(1.22)
From discontinued operations			
Ordinary shares	36	14.13	(0.66)
Preferred shares	36	14.13	(0.66)

Signed on behalf of the management on 27 June 2014

Rollan Mussinov
First Deputy Chairman of the Board

Nadezhda Sharapok
Chief Accountant

SAT&Company JSC
Consolidated Statement of Changes in Equity

		Attributable to the shareholders of the Group							
In thousands of Kazakhstani Tenge	Note	Authorised capital	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
Balance as at 1 January 2012		**23,200,038**	**(128,709)**	**(298,298)**	**(11,290,420)**	**14,826,277**	**26,308,888**	**2,736,224**	**29,045,112**
Loss for the year		-	-	-	-	(2,356,887)	(2,356,887)	(623,498)	(2,980,385)
Other comprehensive income		-	-	60,553	-	-	60,553	7,167	67,720
Total comprehensive income (loss) for the year		-	-	60,553	-	(2,356,887)	(2,296,334)	(616,331)	(2,912,665)
Share issue	20	4,564,504	-	-	-	-	4,564,504	-	4,564,504
Treasury shares	20	-	(456,306)	-	-	-	(456,306)	-	(456,306)
Business combinations		-	-	-	-	-	-	2,070,498	2,070,498
Change in share in subsidiaries	20	-	-	28,075	-	2,696,924	2,724,999	(2,959,314)	(234,315)
Other		-	-	(1,689)	-	(12,139)	(13,828)	(43,185)	(57,013)
Balance as at 31 December 2012		**27,764,542**	**(585,015)**	**(211,359)**	**(11,290,420)**	**15,154,175**	**30,831,923**	**1,187,892**	**32,019,815**
Profit for the year						1,788,120	1,788,120	245,721	2,033,841
Other comprehensive income		-	-	119,041	-	-	119,041	2,632	121,673
Total comprehensive income for the year		-	-	119,041	-	1,788,120	1,907,161	248,353	2,155,514
Share issue	20	101,060	-	-	-	-	101,060	-	101,060
Treasury shares	20	-	(32,445)	-	-	-	(32,445)	-	(32,445)
Change in share in subsidiaries	20	-	-	-	-	1,252,359	1,252,359	(1,605,259)	(352,900)
Balance as at 31 December 2013		**27,865,602**	**(617,460)**	**(92,318)**	**(11,290,420)**	**18,194,654**	**34,060,058**	**(169,014)**	**33,891,044**

Signed on behalf of the management on 27 June 2014

Rollan Mussinov
First Deputy Chairman of the Board

Nadezhda Sharabok
Chief Accountant

SAT&Company JSC
Consolidated Statement of Cash Flows

In thousands of Kazakhstani Tenge	Note	2013	2012
Cash flows from operating activities			
Cash inflow:			
Sale of goods and rendering of services		12,670,130	18,421,694
Other proceeds		574,015	442,057
Cash outflow:			
Payments to suppliers for goods and services		(9,418,999)	(15,568,029)
Payments of salaries		(2,749,375)	(2,469,827)
Payment of interest on loans and bonds		(2,934,698)	(3,587,877)
Corporate income tax and other payments to the budget		(1,269,186)	(841,462)
Other disposals		(694,138)	(902,790)
Net cash from / (used in) operating activities - continuing operations		**(3,822,251)**	**(4,506,234)**
Net cash from / (used in) operating activities - discontinued operations		**296,528**	**283,725**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(764,149)	(2,441,278)
Proceeds from sale of property, plant and equipment		691,180	159,604
Proceeds from sale of investments		1,725,509	-
Purchase of exploration and evaluation assets		-	(383,004)
Proceeds from disposal of subsidiaries, net of cash disposed	35	41,756,519	867,900
Acquisition of subsidiaries, net of cash acquired		-	(647,230)
Proceeds from sale of share in associate		17,965,605	3,574,080
Acquisition of share in associate	12	(15,014,080)	(3,801,806)
Repayment of loans issued to other entities		184,650	15,519,984
Loans issued		(45,178,899)	(14,139,833)
Purchase of securities and investments		(390,000)	-
Advance received for business acquisition		-	451,470
Withdrawal or restricted cash		-	2,600,000
Transfer to restricted cash		(5,000)	-
Other		(488,420)	567,830
Net cash used in investing activities - continuing operations		**482,915**	**2,327,717**
Net cash used in investing activities - discontinued operations		**89,305**	**(1,156,425)**
Cash flows from financing activities			
Issue of shares	20	129,773	5,153,723
Proceeds from DAMU		314,551	305,500
Repurchase of treasury shares	20	(32,445)	(456,306)
Issue of bonds		-	2,349,876
Redemption of bonds		(7,010)	(1,559,366)
Receipt of loans and borrowings		7,377,123	13,032,243
Repayment of loans and borrowings		(4,342,333)	(16,851,271)
Other		(261,668)	(9,093)
Net cash from financing activities - continuing operations		**3,177,991**	**1,965,306**
Net cash from financing activities - discontinued operations		**(348,413)**	**876,903**
Net decrease in cash - continuing operations		**(161,345)**	**(213,211)**
Net increase in cash - continuing operations		**37,420**	**4,203**
Effect of exchange rates to tenge		**(11,136)**	**2,249**
Cash and cash equivalents at the beginning of the year – continuing operations	18	501,688	738,608
Cash and cash equivalents at the beginning of the year – discontinued operations		30,161	
Less: cash and cash equivalents related to disposal groups	19	(63,100)	(30,161)
Cash and cash equivalents at the year-end	**18**	**333,688**	**501,688**

Signed on behalf of the management on 27 June 2014

Rollan Mussinov
First Deputy Chairman of the Board

Nadezhda Sharabok
Chief Accountant

1 The Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter the "IFRS") for the year ended 31 December 2013 for SAT&Company JSC (hereinafter the "Company") and its subsidiaries (hereinafter jointly 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 legislation of the Republic of Kazakhstan.

The Company's ordinary and preferred shares and coupon bonds are placed at Kazakhstan Stock Exchange (hereinafter the "KASE"). The Company's ordinary and preferred shares are included in the KASE second category share list. Coupon bonds are included in the list of Non-Rated Debt Securities of first category (SATCb1) and in the list of Rated-Debt Securities category (SATCb2).

Shareholders of the Company

As at 31 December 2013 and 2012 the Company's shareholders (holders of ordinary shares) were as follows:

	31 December 2013	31 December 2012
Mr. Kenges Rakishev	51.84%	49.05%
SFC KOR Invest LLP	22.91%	23.49%
Pension saving funds	14.47%	17.01%
Other	10.78%	10.45%
Total	**100.00%**	**100.00%**

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

Principal activities

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 and associates

The list below represents the Group's subsidiaries and associates with the Group, and the percentage of the ownership held directly or indirectly by the Company in these companies (the Company's ownership percentage as at 31 December 2013 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 authorised capital of Shalkiya Zinc Ltd LLP ("Shalkiya Zinc Ltd"). The principal activity of Shalkiya Zinc Ltd is exploration, extraction and complex processing of lead-zinc ore on Shalkiya deposit located in Kyzylorda oblast. As at 31 December 2011 the Group held 84.28% interest in Shalkiya Zinc NV. On 30 January 2012, the Group increased its ownership interest up to 98.13% through purchase of shares from minority shareholders (Note 20). In June 2012, management of the Group decided to sell Shalkiya Zinc Ltd (Note 19). On 8 November 2013 the ownership interest in Shalkiya Zinc Ltd was sold in KASE public sale to Mr. Kenges Rakishev.

Central Asian Investing Consulting Company LLP ("CAICC") (99.91%): 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") (99%): an entity incorporated in the Republic of Kazakhstan. Axem Investment's main activity is production of mineral fertilizers on the basis of phosphorus-containing sludge of TMP. The Group acquired 99% ownership in this company in December 2012.

Arman100 LLP ("Arman100") (100%): an entity incorporated in the Republic of Kazakhstan and engaged in production of manganese ore at the Western Kamys field in Karaganda oblast with further processing and sale of manganese concentrate to TMP.

Temirtau Electro-Metallurgy Plant JSC ("TEMP") (100%): an entity incorporated in the Republic of Kazakhstan. Main activity of TEMP is extraction of manganese ore at Bogach and Yesymzhal fields, extraction of limestone at the Southern-Topar field and production of calcium carbide and ferroalloy products for metallurgy industry on the basis of chemical-metallurgical plant located in Temirtau town in Karaganda oblast. The Group acquired 75.45% interest in TEMP in March 2012 (Note 5). In March 2013 the Group acquired 24.55% interest in TEMP becoming 100% shareholder of the company.

Trade House SAT LLC ("TH SAT") (99%): an entity incorporated in the Russian Federation in 2011 and engaged in marketing of products of TMP and TEMP, as well as products of third-party metallurgy companies in the Russian Federation and CIS countries. In 2013 the Group decided to cease the operations of TH SAT.

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. In 2012, management of the Group decided to cease the operations of Saryarka Mining for the nearest future; therefore, the exploration and evaluation activities were not conducted in 2013.

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. In 2012, management of the Group decided to cease the operations of KARUAN. The Company's exploration and evaluation activities were completely stopped during 2012.

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 as 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" or "Denizli"") and Sivas Madencilik İşl. Tic. A.Ş. ("Sivas Madencilik" or "Sivas") 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. As at 31 December 2011, the Group's interest in SAT&Co Holding was 90%. In October 2012, the Group increased its interest in SAT&Co Holding to 97.73% through acquisition of minority shares (Note 20). In 2013 due to the difficult economic situation, management of the Group decided to cease the operations of SAT&Co Holding for the nearest future.

Mining Company SAT Komir JSC ("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. During 2012 SAT Komir was re-organised from limited liability partnership into joint-stock company. In December 2012, the Group entered into the agreement on sale of the controlling interest in SAT Komir (Note 19), which was carried out on 4 February 2014.

Ertis Ferronickel 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 the authorised 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.

Kazakhstan Petrochemical Industries Inc. LLP ("KPI") (49%): an associate incorporated in the Republic of Kazakhstan and engaged in construction 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). On 6 December 2013 the said interest was sold by the Group.

KLPE LLP ("KLPE") (25%): an associate incorporated in the Republic of Kazakhstan in the free economic zone the "National Industry Petrochemicals Technology Park" in Atyrau oblast. The main activity of KLPE is fulfilment of the second phase of construction of the integrated chemical gas complex in the Western Kazakhstan (production of polyethylene). KLPE was established by the Group in 2011 as Ammonia Production and Distribution LLP ("Ammonia P&D") and did not have significant operations in 2011. In 2011, the Group sold 50% right to participate in this joint venture to LG Chem Ltd. ("LG Chem"). As at 31 December 2011 the Group held 50% interest in Ammonia P&D. In March 2012, the Group sold 25% interest in Ammonia P&D to United Chemical Company LLP, a subsidiary of Sovereign Welfare Fund Samruk-Kazyna JSC (Note 12). In December 2012, Ammonia P&D was renamed to KLPE.

1 The Group and its Operations (continued)

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

Unless stated otherwise, the Group held the same interest in the aforementioned companies as at 31 December 2012.

Subsurface use contracts

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

Contractual area	Current stage	Mineral resource	Signing date	Expiration date	Entity	Interest
Gornostayevskoye(1)	Exploration	Nickel	26 February 2004	26 February 2026	Kaznickel	51.00%
Kumyskuduk Verkhnesokurskoe	Production	Coal	26 June 2001	26 June 2026	SAT Komir	100.00%
Western Kamys	Exploration/ production	Manganese	14 May 2001	14 May 2020	Arman 100	100.00%
Aitkokshe(2)	Exploration	Manganese	30 July 2008	30 July 2013	KARUAN	50.00%
Tuyebay-Syurtysu(3)	Exploration / production	Ferro-manganese	8 May 2008	8 May 2037	Saryarka Mining	80.00%
Bogach	Exploration / production	Manganese	4 September 1999	4 September 2024	TEMP	100.00%
Yesymzhal	Exploration / production	Manganese	10 November 2000	10 November 2025	TEMP	100.00%
South-Topar	Production	Fluxing limestone	2 July 1996	2 July 2016	TEMP	100.00%

(1) The exploration period at Gornostayevskoye field expired on 26 February 2012. The Group applied to the Ministry of Industry and New Technologies ("MINT") for extension of the period for exploration and transition to evaluation stage for 3 (three) years to evaluate the commercial discovery. During 2012-2013, the work on development, agreement and signing of the Gornostayevskoye field evaluation project was carried out, and, respectively, upon agreement and signing of Addendum No. 7 to Contract No.1349 dated 26 February 2004 by minutes of the project working committee No. 7 dated 5 March 2014 MINT decided to extend the period of exploration and evaluation of commercial discovery for three years from the date of signing of the respective Addendum No. 7 to the Subsoil contract including the work program for three years.

(2) The Contract expired in July 2013 and the Group has no plans to renew it.

(3) The exploration period under the subsurface use contract on Tuyebay-Syurtysu field expired on 8 May 2012. The Group submitted an application to RK MINT for extension of the exploration period until May 2014 along with the corresponding project documentation. At the date of these consolidated financial statements the project documentation has been being considered by MINT. At the date of approval of these financial statements project documents were pending consideration and approval of MINT. At the reporting date the Group transferred to the state 95% of the contract area and, upon availability of financing, it plans to continue the works on the remaining area.

The Group is also involved in exploration of chrome ores in Turkey on the basis of 17 exploration and production contracts with expiry dates varying from March 2013 to November 2020.

Registered address and place of business

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

2 Basis for Preparation of Financial Statements and Significant Accounting Policies

Basis for preparation of financial statements

These consolidated financial statements have been prepared in accordance with IFRS in the edition approved by International Accounting Standards Board, under the historical cost convention, except financial instruments initial recognition of which is based on fair value. The significant 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 herein, unless stated otherwise.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions. It also requires the management to exercise its professional judgements 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

Management prepared these consolidated financial statements on a going concern basis. Information on uncertainties associated with events and conditions that may cast a significant doubt upon the Group's ability to continue as a going concern is disclosed in Note 4.

Consolidated financial statements

(i) Subsidiaries

A Company is classified as a subsidiary of the Group, if the Group has control over it.

The Control is carried out in the event that the Group is entitled to a variable return on investment or exposed to the risk associated with its change, and this may affect the returns due to its powers in respect of an investee. In particular, the Group controls an investee only if the following conditions are fulfilled:

- the Group has powers in relation to an investee (i.e., existing rights, providing the current ability to manage the significant activity of an investee);
- the Group has rights to a variable return on investment or exposure to the risk associated with its change;
- the Group has the possibility of using its powers in respect of an investee in order to influence the variable return on investment.

When the Group has less than the majority of the voting rights or similar rights in respect of an investee, the Group shall take into account all relevant facts and circumstances when assessing the availability of authorities in respect of an investee:

- agreement with other persons having voting rights in the investee;
- rights arising from other agreements;
- voting right and potential voting rights held by the Group.

The Group re-analyzes the availability of control over the investee, if facts and circumstances indicate a change in one or more of three components of control.

Change in interest in a subsidiary without loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it (the Group) shall:

- derecognise assets and liabilities of a subsidiary (including an associated goodwill);
- derecognise the carrying amount of non-controlling interest;
- derecognise accumulated exchange differences recorded in equity;
- recognise the fair value of consideration received;
- recognise the fair value of the remaining investment;
- recognise surplus or deficit formed as a result of transaction in profit or loss;
- reclassify the parent company's interest in components previously recognised in other comprehensive income to profit or loss or retained earnings in accordance with the specific requirements of IFRS, as if the Group had direct disposal of the related assets or liabilities.

Subsidiary is fully consolidated from the date of establishment (acquisition), being the date on which the Group obtains the control over a subsidiary, and continues to be consolidated until the date when such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company of the Group and non-controlling interests even if this results in a negative balance of non-controlling interests.

The financial statements of subsidiaries have been prepared for the same reporting period as the financial statements of the parent company, on the basis of consistent use of accounting policies for all Group companies. All intra-group transactions, balances, cash flows, unrealised gains and losses resulting from intra-group transactions, and dividends are completely excluded from consolidation.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

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 that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation 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. Non-controlling interests that are not present ownership interests are measured at fair value.

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 paid for the acquiree is measured at the fair value of the assets transferred, 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

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 companies under common control

Purchases of subsidiaries from companies under common control are accounted for using the evaluation method of a predecessor company (transferring party). 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 between companies under common control are carried at the carrying amount disclosed in the financial statements of the transferring party.

The predecessor company is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Goodwill arising from initial acquisition of a company by the transferring party is also accounted for in these consolidated financial statements. Any difference between the carrying amount of net assets, including the transferring party's goodwill amount, and the consideration amount paid is accounted for in these consolidated financial statements as an adjustment to other provisions 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 paid for acquisition of non-controlling interest and its carrying amount is recorded as a capital transaction directly in equity. The Group recognises the difference between the consideration received for sale of non-controlling interest and its carrying amount 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 amount of the investment in joint ventures. Other post-acquisition changes in the 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 investments 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.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Unrealised gains on transactions between the Group and its joint ventures are excluded to the extent of the Group's interest in the joint ventures; unrealised losses are also excluded 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 amount of the investment in associates. Other post-acquisition changes in the 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 investments 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 excluded to the extent of the Group's interest in the associates; unrealised losses are also excluded unless the transaction provides evidence of an impairment of the asset transferred.

(vi) Disposal of subsidiaries, joint ventures and associates

When the Group loses control or significant influence, any retained interest in the entity is re-measured at fair value, and changes in the carrying amount are recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, all amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly sold the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are transferred 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 is transferred to profit or loss where appropriate.

Foreign currency translation

(i) Functional currency and presentation currency

All quantitative data in these consolidated financial statements are stated in thousands of Tenge, unless stated otherwise.

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

Loans between the Group companies and related foreign exchange gains or losses are excluded from consolidation. However, where the loan is between the Group companies that have different functional currencies, the foreign exchange gain or loss cannot be completely excluded and is recognised in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of net investments in foreign operation. In such a case, the foreign exchange gain or loss is recognised in other comprehensive income.

The results and items of financial position of each company of the Group, 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 the average exchange rate of the respective period (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on transaction dates; in this case income and expenses are translated at the transaction date);

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

- 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 carried to assets and liabilities of the foreign entity and translated at the closing rate.

(ii) Operations and balances in foreign currency

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. The effect of exchange rate fluctuations on change in fair value of non-monetary items is recognised in fair value gain or loss.

Official exchange rates used to translate foreign currency balances are presented below:

	2013	**2012**
US Dollar		
Year-end exchange rate	153.61	150.74
Average exchange rate for the year	152.13	149.11
Russian Rouble		
Year-end exchange rate	4.69	4.96
Average exchange rate for the year	4.78	4.80
Turkish Lira		
Year-end exchange rate	71.91	84.31
Average exchange rate for the year	80.13	82.89

Exchange restrictions and currency controls exist with regard 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 evaluation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, where required. Acquisition cost consists of purchase price, including import duties and non-refundable purchase taxes, less trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and working condition necessary for its intended use. The acquisition cost of self-constructed items of property, plant and equipment includes the cost of materials used, performed production works and part of production overheads.

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.

Gain or loss from disposal of property, plant and equipment in the amount of the difference of received compensation and their carrying amount is recognised in profit or loss for the year within other operating income or expenses.

Mining assets are carried at cost less accumulated depreciation and, if required, accumulated impairment loss. Expenses, 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.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(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 both on its own useful life and the current assessment of economically viable recoverable deposit reserves in the territory of which the item of property, plant and equipment is located.

Estimated useful lives are presented in the table below:

	Useful life (years)
Buildings and structures	5 to 50
Machinery and equipment	4 to 25
Vehicles	5 to 10
Other	3 to 15

The residual value of an asset is the estimated amount that the Group would currently obtain from the sale of the asset less costs to sell, based on the assumption that age and condition of the asset already correspond to the expected ones at the end of its useful life. The residual value of the asset is equal to zero in case when the Group intends 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 the management assesses whether there is any indication of impairment of property, plant and equipment. If 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 in prior reporting periods is reversed (if necessary), 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.

(iv) Stripping costs

Costs for extraction and removal of overburden 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 mines.

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 on the basis of the ratio of extracted waste and ore volume (stripping ratio).

Exploration and evaluation assets

(i) Recognition and subsequent evaluation

Exploration and evaluation assets are measured at cost less accumulated impairment loss, if appropriate.

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 and evaluation activities. 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.

Exploration and evaluation assets cease to be classified as such when the technical feasibility and commercial viability of extracting mineral resources is demonstrable. Once commercial reserves are found, exploration and evaluation assets are transferred to property, plant and equipment or intangible assets and amortised using the unit-of-production method based on proved and probable mineral reserves.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(ii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested by the Group for impairment when such assets are transferred to development tangible and intangible assets or whenever facts and circumstances indicate the 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 resources and the Group has decided to discontinue such operations in the specific area;
- the Group has sufficient data indicating 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 impairment assessment, the exploration and evaluation assets subject to impairment testing are grouped by projects.

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation in course of time, or both and which is not used by the Group. Investment property includes construction in progress for future use as investment property.

Investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any. If any indication exists that investment property may be impaired, the Group estimates the recoverable amount as the higher of value, which can be obtained from its use, or fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Subsequent expenditures are capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditures will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When the assets previously related to investment property become owner-occupied, they are transferred to property, plant and equipment.

Depreciation of items of investment property is calculated under the straight-line method to allocate its original cost to its residual value over their useful lives estimated by the management from 20 to 25 years.

Earned rental income is recorded in profit or loss for the year within other operating income.

Intangible assets

The Group's 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 from 3 to 5 years. Subsurface use rights are amortised over the term of the relevant subsurface use contracts.

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

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Financial instruments

(i) Key evaluation 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 willing parties in an arm's length transaction at the valuation date.

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 determine the fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data.

Cost is the amount of cash or cash equivalents paid or the fair value of other resources 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 these equity instruments not quoted in the open market and shall be settled by delivery of such equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. Incremental costs are costs 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 original cost of an asset less any principal payments, plus accrued interest, and for financial assets less any write-down of incurred impairment losses. Accrued interests include amortisation of transaction costs deferred at initial recognition and of any premium or discount from repayment amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon income and amortised discount or premium (including commission deferred at original recognition, if any), are not presented separately and are included in the carrying amount of related items of assets and liabilities in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expenses over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount of an instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or proceeds (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 is used to discount 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 commissions paid or received by parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets are classified as follows:
a) financial assets carried at fair value with changes recognised as profit or loss;
b) loans and receivables;
c) held-to-maturity investments;
d) available-for-sale financial assets.

Financial assets of the Group are classified as follows:
- loans and receivables,
- available-for-sale financial assets.

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 nearest future. 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.

2 Basis for Preparation of Financial statements and Significant Accounting Policies (continued)

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 investments 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

The Group classifies its financial liabilities within the scope of IAS 39 as follows:
a) financial liabilities carried at fair value through profit or loss;
b) loans and payables.

Financial liabilities of the Group are classified as "loans and payables" and after the initial recognition 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.

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

(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 transferred substantially all the risks and rewards of ownership of the assets or (ii) neither transferred nor retained substantially all risks and rewards of ownership but not retained the control over these assets.

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 transferred 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-indicators") 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 amount is 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 transferred 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.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

(vii) Held-to-maturity investments

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

(viii) Offsetting

Financial assets and liabilities are offset and the net amount is 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.

Loans and receivables

Loans and receivables, except for prepaid taxes and advances to suppliers, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment of such receivables.

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

- any 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 a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

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

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

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurred after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

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

Advances and prepayments

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 assets which will be classified as non-current upon initial recognition. Amount of advances for acquisition of assets is included in the carrying amount of the assets once the Group has obtained control of the assets and it is probable that future economic benefits associated with the assets will flow to the Group.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

Other advances are written off when the goods or services relating to the prepayments are received. If there is an indication that assets, goods or services relating to advances will not be received, the carrying amount 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.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventories is determined on the weighted average basis at any issue of inventories to production or other disposal. The cost of finished goods and construction in progress comprises the cost of raw and other materials, direct labour, other direct costs and related production overheads (calculated on the basis of capacity utilization) but excludes borrowing costs. Cost of acquired assets includes the cost of their acquisition and all necessary expenses associated with their purchase, delivery to the place of destination and brining in proper condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

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 a non-current asset 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 amounts to be offset.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash on current bank accounts. Restricted balances are excluded from cash and cash equivalents for the purposes of preparation 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; cash 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 and assets of disposal groups classified as held for sale" 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 compared to their current fair value; (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 adjust with 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 a portion of cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or received within 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 and transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

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 from discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Authorised capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as deductions from the proceeds, net of taxes.

Preferred shares which carry a mandatory coupon are classified as financial liabilities and are presented in borrowing funds. The dividends on these preferred shares are recognised as interest expenses on an amortised cost basis using the effective interest method.

Dividends

Dividends are recognised as liabilities and are deducted from equity at the end of the reporting period only if they are declared and approved before the end of the reporting period, inclusive. Dividends are disclosed when they are proposed before the end of the 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 site restoration provisions are formed and recorded in the cost of property, plant and equipment as expensed in the accounting period when the obligation arises from the corresponding land disturbance during excavation, 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, taking into account known changes, e.g. updated cost estimates and revisions to the estimated lives of operations with official reviews on a regular basis.

Landfill site restoration and closure costs are a normal consequence of mining, and the majority of landfill site restoration and closure expenditures is incurred during the useful life of mines. 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 amount of amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to operating results for each accounting period. The discount amortisation is recognised in finance costs.

Other movements in the provisions for mining assets and waste polygons retirement obligations, resulting from new land 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 useful lives of the assets to which they relate using the depreciation methods applied to those assets. Changes in the provisions for asset retirement obligations that relate to land 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, provisions are made for the estimated outstanding continuous remediation work at each balance sheet date and costs are charged to the profit and loss for the year.

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

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 in intangible assets or exploration and evaluation assets.

Financial guarantees

Financial guarantees are irrevocable contracts that require the Group to make specific payments to reimburse the holder of the guarantee for losses it incurs because a specified any of debtors 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) unamortised amount recognised at initial recognition and (ii) the best estimate of amount of expenses 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 corresponding to the time of occurrence of costs which 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.

Loans

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

Loans 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 under non-market terms, the Group recognises income from initial recognition in profit or loss for the year as income or directly in equity as a contribution to the Group's equity. 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 included in the cost of such asset.

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 of borrowing costs continues to dates when the assets are substantially ready for use or sale.

The Group capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Capitalised borrowing costs 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 are capitalised, incurred on this borrowing less any investment income from temporary investment of those loans.

2 Basis for Preparation Financial Statements and Significant Accounting Policies (continued)

Payables

Payables are accrued when the counterparty performs its obligations under the contract. 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 under lease agreement which does not provide for the 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 provides to its employees long term benefits before, on and after retirement, in accordance with their collective employment agreements. The agreements, more specifically, provide for one-time retirement benefits, financial aid in case of employees' disability, anniversaries, birth of child and death to 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 for payment of one-time benefits 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 pension liabilities. Actuarial gains and losses arising during the year are charged to other comprehensive income (loss). The revaluation result will not be reclassified to profit or loss in subsequent periods.

Other changes in the present value of pension liabilities are recognised in profit and loss, including current service costs.

The most significant assumptions used in accounting for pension obligations are the discount rate and assumption on turnover of employees. 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 profit and loss as finance costs. Assumption on the turnover of employees is used to project the future flow of benefit payments, which is then discounted to arrive at the net present value of liabilities.

Benefits to employees are considered as other long-term employee benefits. These obligations are measured on an annual basis by independent qualified actuaries.

(ii) Payroll expenses and related contributions

Expenses for salaries, pension contributions, social tax, contributions to social insurance funds, paid annual leaves and sick leaves, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. The aggregate amount of contributions to pension and social insurance funds is 11% of the taxable income of the Group's employees. 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 services sold.

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

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

2 Basis for Preparation of Financial Statements and Significant Accounting Policies (continued)

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. Income tax expenses comprise current tax and deferred tax and are recognised in profit or loss for the year except if they are recognised in other comprehensive income or directly in equity because they relate 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 state budget 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 in management's opinion more likely can 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 fines, penalties, and taxes other than on income are recognised based on the management's best estimate of expenses required to settle the obligations at the end of the reporting period.

Earnings per share

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, profit and assets comprise ten percent or more of all the segments are reported separately.

3 New Accounting Pronouncements

(i) Standards, amendments and interpretations effective from 2013 and adopted by the Group

- Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income". The Amendments are applied retrospectively. These amendments introduce a new terminology (use of which is optional) to the statement of comprehensive income and the statement of profit and loss. According to them, the "statement of comprehensive income" is called the "statement of profit or loss and other comprehensive income". The Amendments to IAS 1 retain the provision that the statement of other comprehensive income and profit and loss statement should be published either in single continuous statement

3 New Accounting Pronouncements (continued)

or in two separate but consecutive statements. The amendments also introduce the requirement for the following grouping of items of other comprehensive income: a) items not subject to subsequent reclassification to profit or loss, and b) items subject to subsequent reclassification to profit or loss under certain conditions. Tax for items of other comprehensive income shall also be distributed to these two groups. Herewith, the amendments do not supersede the possibility to choose the option for presentation of items of other comprehensive income either before or after income tax deduction. The Group decided to continue to present profit and loss and other comprehensive income in a single statement, but use the new name of the statement - "statement of profit or loss and other comprehensive income". There was no other effect of amendments on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 19 “Employee Benefits” (revised). The amendments are applied retrospectively, except for changes to the present value of assets that include capitalized employee benefits.The amendments had no significant effect on the consolidated financial statements of the Group.

- IAS 28 “Investments in Associates and Joint Ventures” (as revised in 2011). The revised Standard had no any effect on the financial statements of the Group.

- Amendments to IFRS 1 “Government Loans”. The amendments provide some relief to entities first-time adopters of IFRS, allowing prospective application of IAS 39 and IFRS 9, and paragraph 10A of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" in respect of government loans outstanding at the date of transition to IFRS. The amendments had no effect on the consolidated financial statements of the Group.

- Amendments to IFRS 7 “Disclosures - Offsetting Financial Assets and Financial Liabilities”. Amendments are applied retrospectively. IAS 32 "Financial Instruments: Presentation" prescribes offsetting financial assets and financial liabilities under certain criteria. Amendments to IFRS 7 require disclosure of the right to offset and related arrangements (such as collateral requirements) for financial instruments in accordance with legally enforceable master netting agreements or similar arrangements. As the Group has no netting agreements the amendments had no effect on disclosures or amounts in the financial statements.

- IFRS 10 “Consolidated Financial Statements”, IAS 27 “Separate Financial Statements”. The Standard is applied retrospectively, with a change of comparable data for previous periods, taking into account some of the features defined in the standard. IFRS 10 replaced a number of provisions of IAS 27 "Consolidated and Separate Financial Statements" and SIC 12, "Consolidation - Special Purpose Entities". IFRS 10 has a new definition of control with three mandatory elements: (a) powers of authority over the investee, b) risks and benefits on variable results of the investee’s activities, and c) ability to use powers of authority to influence the variable results of the investee. Previously, the company was considered to be controlled if it was possible to determine its financial and operating policies to obtain benefits. IFRS 10 provides additional guidance on the definition of control. The Group analysed its rights, benefits and risks associated with the investees, and concluded that the application of the Standard did not change the structure of the Group.

- IFRS 11 “Joint Arrangements”. The Standard is applied retrospectively for joint arrangements held at the date of the first adoption. IFRS 11 replaced IAS 31 "Interests in Joint Ventures". Also explanation of SIC 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers" was included in IAS 28 (as revised in 2011). As a result of change, the number of joint activities has been reduced to two: joint operations and joint ventures. For joint ventures previously existed possibility of accounting for by proportionate consolidation was cancelled, and joint venture participants are required to apply the equity method. The Standard had no effect on the consolidated financial statements of the Group as The Group has no investments in joint operations or joint ventures.

- IFRS 12 “Disclosure of Interests in Other Entities”. The Standard is applied retrospectively. The Standard introduces a more detailed disclosure of subsidiaries and associates, joint ventures and / or unconsolidated structured entities. To meet the new requirements companies shall disclose significant judgments and assumptions in determining control, joint control or significant influence on other companies, to provide detailed disclosures in respect of non-controlling interest in the activities and cash flows of the Group, generalized information about subsidiaries with substantial non-controlling interests, as well as detailed disclosure of interests in unconsolidated structured entities. Application of IFRS 12 led to more detailed disclosures in the consolidated financial statements in respect of certain subsidiaries and associates (Note 13).

3 New Accounting Pronouncements (continued)

- IFRS 13 "Fair Value Measurement". The Standard is applied prospectively. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard requires entities to disclose and classify these measurements at fair value level based on the nature of input. The standard also introduces a new definition of fair value - this is the price that can be obtained in the sale of a financial instrument or paid at the transfer of a liability in conducting a transaction on a voluntary basis between market participants at the measurement date. Fair value measurement involves an operation of the voluntary sale of the asset or transfer of a liability in the main market (or if there is no, the most advantageous) on the measurement date under current market conditions. Therefore, the fair value is defined as the output price, regardless of the direct observability of this price or its other valuation method. Transitional provisions of IFRS 13 allow not applying the Standard to comparative information for periods prior to the application. Accordingly, the Group made no comparative disclosures under IFRS 13 for the year 2012. Disclosures for 2013 are presented in Note 40.

- IFRIC 20 "Stripping costs in the production phase of a surface mine". The interpretation clarifies the accounting for stripping costs at the stage of commercial development of mine. According to the explanation, stripping costs leading to improved access to the ore body are recorded as non-current assets ("stripping assets"), subject to certain criteria. This interpretation had no effect on the consolidated financial statements of the Group.

- Annual improvements to IFRS (May 2012):

  1. IFRS 1 ""First-time Adoption of International Financial Reporting Standards";
  2. IAS 1 "Presentation of financial statements";
  3. IAS 16 "Property, Plant and Equipment";
  4. IAS 32 "Financial Instruments: Presentation";
  5. IAS 34 "Interim Financial Reporting".

  The above improvements had no effect on the consolidated financial statements of the Group.

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

- Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities". The Amendments are effective for the annual reporting periods beginning on or after 1 January 2014. The amendments are applied retrospectively. The amendments clarify the requirements for offsetting financial assets and financial liabilities. In particular, the amendments clarify the definition of "a legally enforceable right to offset" and "simultaneous realisation of an asset and fulfilment of an obligation". The amendments will have no impact on the financial position or financial results of operations of the Group.

- IFRS 9 "Financial Instruments: Classification and Measurement" (revised as a result of the first phase of a project). IFRS 9 is a new standard for accounting of financial instruments, which should completely replace IAS 39. The replacement project consists of three phases: classification and measurement of financial assets and liabilities, accounting for impairment and hedge accounting. The work on the project is not completed yet. Initially it was assumed that the standard will be effective for annual periods beginning on or after 1 January 2013, but subsequently the mandatory application date was postponed. To provide a complete picture, the Group will assess the effect of this standard on amounts in the financial statements in conjunction with the other project phases, when they are published.

- Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities". The amendments are effective for the annual reporting periods beginning on or after 1 January 2014. The amendments are applied retrospectively, but subject to special transitional requirements. The amendments introduce a qualified definition of an investment entity and define the procedure of consolidation of its subsidiaries and disclosure. The amendments will have no effect on the consolidated financial statements of the Group.

3 New Accounting Pronouncements (continued)

- Amendments to IFRS 36 “Impairment of Assets”. They relate to presentation of disclosures and are effective for the annual reporting periods beginning on or after 1 January 2014. The amendments agree the requirements to disclosures in IAS 36 with the intentions of the IASB and reduce the list of circumstances under which it is required to disclose the recoverable amount of assets or cash-generating units; require additional disclosures of fair value measurement, if the recoverable amount of impaired assets is calculated at fair value less costs of disposal; and establish the requirement to disclose the discount rate used in the calculation of impairment (or recovery), if the recoverable amount of impaired assets calculated at fair value less costs of disposal, is determined using the present value. The Group is currently assessing the effect of amendments on disclosures of its consolidated financial statements.

- Amendments to IAS 39 “Financial Instruments: Classification and Measurement”. The amendments clarify the hedge accounting and are effective for the annual reporting periods beginning on or after 1 January 2014. The amendments will have no any effect on the financial position or financial results of the Group.

- IFRIC 21 “Levies”. The Interpretation is effective for the annual reporting periods beginning on or after 1 January 2014. The interpretation clarifies the accounting for obligations on payment of levies, except income tax. According to preliminary estimates, the interpretation will have no effect on the financial position or financial results of the Group.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies

The Group uses estimates and makes assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually reviewed and are based on the management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also uses certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on indicators 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 2013 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.

In 2012 and 2013, management of the Group decided to suspend or cease operations of certain subsidiaries (Note 1).

Net loss of the Group from going concern for the year ended 31 December 2013 is KZT 20,954,499 thousand.

These factors indicate the 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 the ordinary course of business.

Management assessed the possible effect of suspension of operations of subsidiaries KARUAN, SAT&Co Holding and Saryarka Mining on the financial position of the Group as at 31 December 2013. In particular, assets of these subsidiaries were tested for impairment and the obligations were assessed for potential unrecorded liabilities including assessing contractual commitments that will become onerous upon liquidation.

Except for the effect of suspension of operations of subsidiaries these consolidated financial statements are from adjustments of carrying amounts of assets and liabilities, revenue and expenses, as well as used classifications in the consolidated 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 2013-2014 management plans to additionally reconstruct two old furnaces which will enable to increase aggregate annual production capacity of TMP to 136 thousand tonnes of ferrosilicon manganese. Estimated capital investments required to increase capacity of the plant approximate Tenge 3.7 billion. Currently the Group considers additional sources of funding for implementation of the investment program.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

- In 2011, the Group commenced construction of the processing plant at Western Kamys field. Projected annual production capacity of the plant is 500 thousand tonnes of manganese concentrate with manganese content not less than 38%, which will enable to fully secure the demand of TMP in manganese material. Completion of construction of the plant and commencement of production is expected in the end of 2014. Expected cost to complete construction approximates Tenge 500 million.

  During 2011, an authorised government body approved total reserves of oxidised and primary manganese ores of C1 and C2 categories at Western Kamys field of 3.9 million tonnes. Management of the Group expects that total estimated reserves of manganese ores will be increased additionally by 9 million tonnes which are currently classified as off-balance reserves.

  In 2011, the Group commenced works to shift the section of the public road intersecting Western 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 300 million. Completion of the shift of the section of the public road is expected in the second half of 2014.

- In the beginning of 2013 management of the Group submitted an application to the Committee on Geology and Subsurface Use for the part of the Central Kamys field neighbouring the Western Kamys field. Based on preliminary estimates the part of the Central Kamys field applied for by the Group contains approximately 137.6 thousand tonnes of proved and probable manganese ore reserves.

- In fact, the ore body of the Central Kamys field is the continuation of the ore body of the Western Kamys field. Accordingly, management believes that development of the Central Kamys field will not differ from that of the Western Kamys field. As at 31 December 2013 the Committee on Geology and Subsurface Use responded positively to the Group's application for the part of the Central Kamys field and filed the documents to MINT.

- In 2012, the Group completed acquisition of TEMP (Note 5). TEMP is a vertically integrated ferroalloys producer. Current annual production capacity of TEMP approximates 30 thousand tonnes of ferroalloys. The planned construction of new furnace will enable to increase aggregate annual production capacity to 75 thousand tonnes of ferroalloys. Management expects that acquisition of TEMP will strengthen the position of the Group in the ferroalloys production sector.

  In 2013, the Group entered into agreement with Entrepreneurship Development Fund DAMU JSC ("DAMU"), pursuant to which DAMU subsidises interest of 8% to TEMP on the loan from Alliance Bank JSC.

- 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 completing 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.

- In 2011, the Group entered into the credit facility agreement with SB Sberbank of Russia JSC ("Sberbank of Russia") for the purpose of refinancing of a loan from Development Bank of Kazakhstan JSC ("Development Bank of Kazakhstan"), financing of completion of TMP modernisation and replenishment of working capital.

  In May 2013, the Group reached an agreement with Sberbank of Russia on restructuring of the Group loans as follows: the loan term was changed from 25 October 2011 to 3 May 2021; the current effective rate was changed to 10.4% per annum.

- In 2011, the Group entered into agreement with Entrepreneurship Development Fund DAMU JSC ("DAMU"), pursuant to which DAMU subsidises interest of 7% with regard to the borrowing related to financing of TMP modernisation (Note 22).

- On 22 November 2013 a subsidy agreement was concluded, according to the program of post-crisis recovery (recovery of competitive enterprises), under which subsidies are paid monthly at the rate of 7% for all obligations of the enterprise to SB Sberbank of Russia JSC with regard to remuneration for the period up to December 2016.

- The number of unplaced ordinary shares of the Company is 1,763,710,538 shares with average market price of Tenge 71 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 on favourable terms for its investment projects purposes.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

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 twelve 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, investment property 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 professional judgments which are deemed appropriate under the current circumstances.

In accordance with the accounting policy for the purposes of impairment testing, assets are grouped at the lowest levels at which they generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash generating units"). In order to assess the presence of impairment indicators and, if necessary, an impairment test management identified the following main cash-generating units ("CGUs"):

4 Critical accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Cash generating unit	Entity	Description	Type of non-financial assets	Carrying amount before impairment
TMP	TMP (ferroalloys)	Production of ferroalloys	Property, plant and equipment	12,282,162
Western Kamys	Arman 100 (manganese)	Extraction of manganese ore at Western Kamys field	Property, plant and equipment, exploration and evaluation and intangible assets	1,931,958
Chemical-metallurgy plant	TEMP	Production of ferroalloys and calcium carbide	Property, plant and equipment	4,889,771
Bogach	TEMP	Extraction of manganese ore at Bogach field	Property, plant and equipment and intangible assets	993,798
Yesymzhal	TEMP	Extraction of manganese ore at Yesymzhal field	Property, plant and equipment and intangible assets	587,392
South-Topar Mining Administration	TEMP	Extraction of limestone at the South-Topar field	Property, plant and equipment and intangible assets	282,414
Akmola branch	TEMP	Industrial warehouse complex in Astana city	Investment property	2,832,475
Kumyskuduk Verkhnesokurskoe	SAT Komir (coal)	Extraction of brown coal	Assets of disposal group	1,535,854
Gornostayevskoye	Kaznickel / FNP Ertis (nickel)	Exploration of cobalt-nickel ore at Gornostayevskoye field	Property, plant and equipment and exploration and evaluation assets	1,647,108
Sivas	SAT&Co Holding (chrome)	Exploration of chrome ore in Sivas region	Exploration and evaluation assets	1,530,229
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	420,163
Aitkokshe	KARUAN (manganese)	Exploration of manganese ore at Aitkokshe field	Exploration and evaluation assets	91,997

TMP

In connection with the general decline in prices for manganese products in the world market in 2012 and poor quantity of manganese contained concentrate needed to ensure economically viable sustainable production of ferroalloys, two of the four furnaces (No. 5 and No. 6) as at 31 December 2012 were put in dead storage. During 2013, these furnaces remained in dead storage.

In 2013, management analysed indicators of impairment of property, plant and equipment and concluded that there are impairment indicators and, accordingly, it is necessary to conduct an impairment test.

The recoverable amount of non-financial assets of TMP was determined based on fair value less costs to sell. The fair value of this CGU was determined using the amount of discounted future cash flows. In this calculation management used cash flow projections based on the strategic planning models of the Group and operating budgets, modified as appropriate to meet the requirements of IAS 36, and approved by management.

Principal assumptions having a significant effect on projected future cash flows are as follows:

- Production volume. Annual production capacity of each of the working furnaces No. 3 and No. 4 and taking into account the reconstruction of furnaces No. 5 and No. 6 put in dead storage and total production capacity of the plant will comprise 136 thousand tonnes of ferrosilicon manganese. Estimated capital investments for reconstruction of furnaces No. 5 and No. 6 totaling approximately Tenge 3.7 billion.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

- Sales volume. Management determined that the forecasted demand for products which was based on the expected market development would enable the Group to utilise full production capacity of TMP.
- Projected sales prices of ferrosilicon manganese. Ferrosilicon manganese prices were projected by using respective growth indices to prices under existing contracts. The forecasted price for 2014 is US Dollar 1,272 per tonne of ferrosilicon manganese.
- Cost of manganese concentrate was projected on the basis of average prices from publicly available price forecasts for 2014 using the growth index of production prices. The forecasted cost of manganese concentrate for 2014 is US Dollar 161 per tonne of manganese.
- Other production costs were projected based on historical data and existing contracts.

Cash flows were discounted by using pre-tax discount rate of 16.09% per annum which was based on the weighted average cost of capital of TMP adjusted for risks.

As a result of impairment test management came to conclusion on impairment of non-financial assets of TMP as at 31 December 2013.

The table below shows the results of impairment test:

In thousands of Kazakhstani Tenge	
Carrying amount of property, plant and equipment before impairment	9,035,053
Recoverable amount	7,155,980
Impairment loss	**1,879,073**

Impairment loss was allocated as follows:

Item of consolidated statement of financial position	Note	Item of consolidated statement of profit and loss and other comprehensive income	Note	Impairment, in thousands of Tenge
Property, plant and equipment	8	Cost of sales	26	1,691,166
		General and administrative expenses	29	187,907
Total				**1,879,073**

Presented below is the sensitivity analysis, which demonstrates amount of possible impairment at different levels of price of ferrosilicon manganese, forecasted production volume and forecasted demand and cost of manganese concentrate (with all other variables held constant):

In thousands of Kazakhstani Tenge	Impairment loss
Selling price of ferrosilicon manganese (-5%)	(6,091,727)
Selling price of ferrosilicon manganese (-7%)	(7,546,655)
Production and sales volume of ferrosilicon manganese (-5%)	(6,091,727)
Production and sales volume of ferrosilicon manganese (-7%)	(7,546,655)
Cost of manganese concentrate (+5%)	(3,428,978)
Cost of manganese concentrate (+7%)	(3,818,791)

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Chemical-Metallurgy Plant, Bogach, Yesymzhal, South-Topar Mining Administration and Akmola branch

Property, plant and equipment, investment property and intangible assets of these CGUs were measured at fair value by the independent professional appraiser on 1 November 2013. Fair value of property, plant and equipment, investment property and intangible assets was measured taking into account recoverability of these assets using the discounted cash flows method. In this calculation management used cash flow projections based on the strategic planning models of the Group and operating budgets, modified as appropriate to meet the requirements of IAS 36, and approved by management.

Principal assumptions having a significant effect on projected future cash flows are as follows:

- Current total estimated reserves of oxidized and primary manganese ore deposits Bogach and Yesymzhal on C1 and C2 categories comprise 3.3 million tonnes. These reserves are sufficient to meet the demand of CMP in manganese materials and the sale of manganese concentrate to third party purchasers until 2020.

- Current production capacity of CMP on calcium carbide production is about 86 thousand tonnes per year. Management expects growth in demand for calcium carbide in the future, and accordingly suggests the growth of production and sales of calcium carbide up to 33 thousand tonnes per year.

- Current estimated reserves of limestone of South-Topar field comprise 169.9 million tonnes.

- Estimated amount of investments for 2013-2014 to increase the capacity of the plant is approximately US Dollars 18 million. The Group is currently considering funding sources for the implementation of the said investment program.

Following the fair value measurement and impairment testing, the Group identified impairment of machinery and equipment of cash generating units of CMP and Yesymzhal. The Group recognised an impairment loss in the amount of Tenge 1,168,371 thousand.

Assets of Akmola branch recognised in investment property in 2014, in accordance with the adhesive agreement to the memorandum of BetonLuxAst LLP, will be transferred as a contribution to the authorised capital. Fair value of assets taken into account in the transfer to the authorised capital amounted to Tenge 971,679 thousand, wherefore the Group recognised an impairment loss of investment property in the amount of Tenge 1,223,581 thousand.

Impairment loss was allocated as follows:

Item of consolidated statement of financial position	Note	Item of consolidated statement of profit and loss and other comprehensive income	Note	Impairment, in thousands of Tenge
Property, plant and equipment	8	Cost of sales	26	1,168,371
Investment property	10	Other operating expenses	31	1,223,581
Total				**2,391,952**

Western Kamys

In 2013, the Company continued the works on construction of the processing plant aimed to increase manganese content in concentrate, being the end product of this CGU. 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.

As at 31 December 2013 impairment test showed that the situation on impairment has not changed compared with the previous period: as at 31 December 2013 the plant was not put into operation, there were no changes in world market prices for manganese concentrate.

4 Critical Accounting Estimates and professional Judgments in Applying Accounting Policies (continued)

Presented below are the results of impairment test:

In thousands of Kazakhstani Tenge	
Carrying amount of property, plant and equipment, exploration and evaluation and intangible assets before impairment	3,317,066
Recoverable amount	1,998,928
Impairment loss	**1,318,138**

Loss was allocated to mining assets Tenge 425,421 thousand and construction in progress Tenge 892,717 thousand.

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.

Cost of manganese concentrate was projected on the basis of average prices from publicly available price forecasts for 2013 using production price index as a growth rate. Forecasted demand for products was determined on the basis of expectations of ferroalloys market development. In forecasting production costs and capital commitments management of the Company used historical data and existing contracts.

Kumyskuduk Verkhnesokurskoe

On 21 December 2012, the Group entered into agreement with individual, citizen of the Republic of Kazakhstan, on sale of 100% shares of SAT Komir (Note 1). In February 2014 the transaction was partially completed. Total cost of sales of 100% shares of SAT Komir, provided for in the purchase and sale contract, consists of monetary remuneration in the amount of Tenge 752,450 thousand and of an obligation of the buyer to assume the debt to BTA Bank JSC ("BTA Bank") with a nominal value of Tenge 3,371,112 thousand (Note 22). Monetary remuneration was paid to the Group, and the transfer of obligation on debt to BTA Bank is being completed as of the date of signing these financial statements.

Management of the Group believes that the sales value of shares of SAT Komir is the fair value of cash-generating unit of Kumyskuduk Verkhnesokurskoe that substantially exceeds the carrying amount of the CGU. Management concluded that costs to sell of SAT Komir are not material. Accordingly, in these consolidated financial statements assets of disposal group of SAT Komir as at 31 December 2013 are stated at their carrying amount (Note 19).

Gornostayevskoye

As at 31 December 2013 this CGU was at the exploration stage. Accordingly, management assessed existence of indicators of impairment of exploration and evaluation assets of this CGU in accordance with the requirements of IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

In 2013, the Group continued exploration and evaluation activities at these contractual areas and planned to invest in further exploration and evaluation works. As at 31 December 2013 the Group analysed indicators of impairment of non-financial assets of Gornostayevskoye field and concluded that there were no impairment indicators at this date.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

Tuyebay-Syurtysu and Aitkokshe

As described in Note 1, management of the Group decided to cease exploration and evaluation activities at Tuyebay-Syurtysu area and Aitkokshe field, and accordingly cease operations of Saryarka Mining and KARUAN. Accordingly, the Group performed an impairment test of these CGUs as at 31 December 2012. As a result management concluded that the recoverable amount of the assets determined as fair value less cost to sell is Tenge 2,678 thousand. Accordingly, the Group recognised loss on impairment of exploration and evaluation assets, property, plant and equipment and intangible assets in the amount of Tenge 248,442 thousand and recorded it within exploration and evaluation expenses (Note 28) and general and administrative expenses (Note 29) in the amount of Tenge 150,289 thousand and Tenge 98,153 thousand, respectively.

Sivas and Denizli

As at 31 December 2013 these CGUs were at the exploration stage. During 2013 the Group did not significantly invested in the exploration and evaluation of contractual territories in the regions of Sivas and Denizli. Moreover, in the near future, the Group does not plan significant costs of further exploration and evaluation of contract areas located in Turkey.

Management concluded that these facts are evidence of impairment of assets of these CGUs, and conducted an impairment test as at 31 December 2013. Due to the lack of the Group's plans for significant investments in further exploration and development of chromium deposits located in Turkey, as well as accurate information about the fair value of other assets of these CGUs, management concluded that the recoverable amount of such assets is equal to zero.

The table below shows the impairment test results:

In thousands of Kazakhstani Tenge	**Sivas**	**Denizli**	**Total**
Carrying amount of exploration and evaluation assets	1,530,229	658,566	2,188,795
Carrying amount of property, plant and equipment	56,144	-	56,144
Total carrying amount of non-financial assets	1,586,373	658,566	2,244,939
Recoverable amount	-	-	-
Impairment loss	**1,586,373**	**658,566**	**2,244,939**

Impairment loss of cash generating units Sivas and Denizli was charged to expenses from impairment of property, plant and equipment and exploration and evaluation assets in the amount of Tenge 2,188,795 thousand in exploration and evaluation expenses and Tenge 56,144 thousand in other operating expenses.

Financial guarantees

As at 31 December 2013, the Group is the guarantor or co-borrower with respect to the liabilities of the Group’s related parties: Shangri-La-Luxury LLP, Luxury Rest Inc. LLP and TOT Mani LLC, as well as ultimate controlling party Mr. Kenges Rakishev in the aggregate amount of Tenge 20,949,294 thousand (Note 37). The Group concluded that at the date of these consolidated financial statements there were no indicators that these companies would not be able to perform their obligations, which may otherwise require the Group to repay, fully or partially, the liabilities of these companies.

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

In accordance with the terms of 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.

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

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

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 fulfilment of these obligations can be done in the form of cash payments or contributions of an equal 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 living in the area of exploration and production activities.

Management of the Group 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 obligations 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 at 31 December 2013 and 31 December 2012.

Provision for obligations on assets liquidation and recovery

In accordance with the terms of 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 mining assets recovery and waste polygons restoration is recognised for the future liquidation and recovery of production assets at the end of their economic lives. The provision is made, based on net present values, for restoration of sites and production facilities, as well as land restoration as soon as the obligation arises from past activities.

The provision for mining assets liquidation 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 other conditions, and such costs can be incurred in the distant future, the carrying amount 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 nominal value of works which the management expects to spend on liquidation and restoration of mining assets and waste polygons in the future. Accordingly, the management's accounting estimates based on current prices are inflated using the expected long-term inflation rate depending on the date of liquidation and restoration of mining assets and waste polygons, and subsequently discounted using the discount rate. The discount rate reflects current market estimates of the time value of money and risks specific to liabilities not reflected in the best estimates of costs.

Estimated useful life of mining assets

Mining assets, classified as part of property, plant and equipment, are depreciated over the respective useful 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 carrying amount of the asset.

The calculation of the UOP rate of depreciation could be influenced to the extent that actual production in the future periods is different from the 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

4 Critical Accounting Estimates and Professional Judgments in Applying Accounting Policies (continued)

- 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 reasonableness of assets' useful lives at least once a year; any changes could affect prospective depreciation rates and carrying amount of assets.

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. Useful lives of property, plant and equipment were estimated using a professional judgment based on the experience with similar assets. Future economic benefits associated with these assets will be obtained principally through their use. However, other factors, such as technical or commercial obsolescence and depreciation, often result in the decrease of economic benefits associated with these 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 depreciation, 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 impairment of receivables are based on the regular management's assessment of their collections, overdue status and past experience. Management believes that provision for impairment of receivables generated as at 31 December 2013 and 31 December 2012 are sufficient and represent the management's best estimate of receivables that will not be collected (Notes 14, 16 and 17).

Provision for inventories impairment

Inventories are recorded at the lower of cost and net realisable value. The Group generates provisions 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 generated as at 31 December 2013 and 31 December 2012 are sufficient and represent the management's best estimate of impaired inventories (Note 15).

Deferred income tax asset recognition

The recognised deferred tax asset is the amount of income tax that can be offset against future income tax payments and it is recorded in the consolidated statement of financial position. Deferred income tax asset is recognised only when the use of appropriate tax deduction is probable. The determination of future taxable profit and amounts of tax deductions that are likely to be offset in the future is based on the medium term business plan prepared by management and extrapolated results thereafter. 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 conducts 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 transactions are disclosed in Note 7.

5 Business Combinations

Over recent years the Group made consecutively a series of strategic acquisitions in the metals and mining industry.

Acquisition of TEMP

In 2011 the Group entered into agreements with National Company Social-Entrepreneurial Corporation Saryarka ("SEC Saryarka") and three individuals for acquisition of 75.45% of ordinary shares in TEMP. Total acquisition cost established in the agreements was Tenge 924,979 thousand.

5 Business Combinations (continued)

According to the terms of the agreement with SEC Saryarka the Group assumes an obligation to fulfill within three years after the date of the acquisition the investment program including settlement of payables of TEMP, construction of the new furnace complex, capital repair of the production infrastructure and renewal of the equipment for the total amount of Tenge 12 billion.

According to the Subsurface Use Law of the Republic of Kazakhstan dated 24 June 2010, the Government of the Republic of Kazakhstan has a priority right in front of the other contracting party or parties to a legal entity possessing the right of subsoil use, and other persons to acquire the alienated for compensated and gratuitous basis of the right of subsoil use, and objects associated with the right of subsoil use.

In accordance with the agreements, the government's waiver to exercise its pre-emptive right for acquisition of TEMP and obtaining approvals of the government authorities were the prerequisites to a completion of the transaction. Management of the Group concluded that receipt of the government's waiver and the approval are the substantial conditions in obtaining control over TEMP rather than a formal requirement. On 30 March 2012 the Group received a notification on the government's refusal to exercise its pre-emptive right for acquisition of TEMP and approvals of other government authorities. Accordingly, management determined that the acquisition date is 30 March 2012. The Group obtained control through its ability to cast a majority of votes in the board of directors of TEMP.

TEMP is the vertically-integrated company major divisions and activities of which are as follows:

- Chemical-Metallurgy Plant ("CMP") in Temirtau city in Karaganda oblast – production of carbide calcium, ferrosilicon manganese and other products.
- Manganese Mining Administration ("Manganese MA") –extraction of manganese ore at Bogach and Yesymzhal fields for further production of ferrosilicon manganese at CMP.
- South-Topar Mining Administration ("STMA") – extraction of limestone at South-Topar field for further sale to third parties and production of carbide calcium at CMP.
- Akmola branch – industrial warehouse complex in Astana city being leased.

Acquisition of the vertically-integrated company with the divisions on extraction of manganese ore and production of ferrosilicon manganese will allow the Group to strengthen its position in the ferroalloys sector.

Details of the acquired assets and liabilities and negative goodwill arising in connection thereof are presented below:

In thousands of Kazakhstani Tenge	**Fair value**
Property, plant and equipment	7,463,909
Investment property	2,832,370
Investment at cost	482,000
Intangible assets	2,150,986
Other non-current assets	204,836
Inventories	1,163,386
Receivables	878,237
Other current assets	782,712
Cash and cash equivalents	19,267
Total assets	**15,977,703**
Deferred income tax liability	1,976,937
Site restoration provision	556,750
Loans	2,019,500
Payables	2,987,277
Total liabilities	**7,540,464**
Total net assets	**8,437,239**
Less: non-controlling interest	(2,070,498)
Bargain purchase gain (negative goodwill)	(5,441,762)
Total acquisition cost	**924,979**

5 Business Combinations (continued)

The Group's debt for payment of shares to individuals	(110,000)
Less: cash and cash equivalents of acquired subsidiary	(19,267)
Outflow of cash and cash equivalents on acquisition	**795,712**

Measurement of fair value of property, plant and equipment, investment property and intangible assets was performed by an independent professional appraiser with the recognised and relevant professional qualification and recent experience in valuation of assets of similar location and category.

The non-controlling interest represents share in net assets of TEMP attributable to owners of non-controlling interest.

Bargain purchase gain (negative goodwill) arises due to the fact that during difficult economic conditions the previous shareholders of TEMP did not have sufficient financing to ensure the financial recovery of TEMP given its substantial total debt and implementation of the investment program required to achieve economically viable level of extraction of manganese ore and production of ferroalloys, calcium carbide and other products. This allowed the Group to acquire TEMP at a price lower than its fair value.

For the period from the date of acquisition to 31 December 2012 the share of TEMP in revenue and loss of the Group comprised Tenge 4,960,467 thousand and Tenge 943,955 thousand, respectively. If the acquisition had occurred on 1 January 2012, the Group's profit for 2012 would have been decreased by Tenge 291,947 thousand and revenue for 2012 would have been increased by Tenge 1,839,845 thousand.

Acquisition of Axem Investment

On 14 December 2012, the Group acquired 100% of the authorised capital of Axem Investment and obtained control through its ability to cast a majority of votes in the general meeting of participants of Axem Investment. The main activities of Axem Investment are processing of phosphorus-containing waste dumps, production and sale of chemical products and mineral fertilisers.

Details of the acquired assets and liabilities and goodwill arising in connection thereof are presented below:

In thousands of Kazakhstani Tenge	**Fair value**
Property, plant and equipment	5,164
Inventories	21,239
Receivables	22,736
Other current assets	688
Cash and cash equivalents	138
Total assets	**49,965**
Loans	5,000
Payables	21,507
Total liabilities	**26,507**
Total net assets	**23,458**
Goodwill arising from the acquisition	6,542
Total acquisition cost	**30,000**
The Group's debt for payment of acquisition cost	(30,000)
Less: cash and cash equivalents of acquired subsidiary	(138)
Increase in cash and cash equivalents on acquisition	**138**

The results of Axem Investment for the period from the acquisition date to 31 December 2012 are insignificant to these consolidated financial statements.

6 Segment Information

Operating segments are components engaged 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 separate financial information is available. The CODM is a person or group of persons who allocate resources and assess the performance of the company. The functions of CODM are performed by the Management Board of the Company.

(a) Description of operating segments

The Group operates within the following main operating segments:

- Head office: the segment is represented by the operations of the head office of the Group, including purchases and sales of investment assets and securities.
- Manganese: the segment is represented by Arman 100, Saryarka Mining, and KARUAN (Note 1) involved in the exploration of manganese ore deposits, extraction of manganese ore and production of manganese concentrate.
- TMP: the segment is represented by TMP (processing of manganese and ferromanganese ores and production of ferroalloys).
- TarEP: the segment is represented by TarEP (production and sale of electrode and repair paste).
- TEMP: (extraction and production of manganese and limestone ores, production of ferrosilicon manganese and calcium carbide).
- 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. In connection with the sale of Shalkiya Zinc Ltd the results of this segment are presented as discontinued operations (Note 35).
- Nickel: the segment is represented by FNP Ertis and Kaznickel (Note 1), which are involved in exploration of cobalt and nickel ores at Gornostayevskoye field and development of the processing project.
- Chrome: the segment is represented by group SAT&Co Holding involved in exploration of chrome ore.
- Petrochemicals: the segment is represented by a joint venture KLPE and associate KPI (Note 1), involved in construction and organization of the integrated petrochemical complex for production of polypropylene and polyethylene in Western Kazakhstan.
- Other segments: other companies not involved in significant operations and being immaterial for the Group as a whole.

In 2012 the Group completed the acquisition of TEMP (Note 5). TEMP represents the vertically integrated company comprising of extraction divisions Manganese MA (extraction of manganese ore) and STMA (extraction of limestone) and production division CMP (production of ferrosilicon manganese and calcium carbide).

In 2011 TH SAT sold primarily the goods produced by TMP. Since the acquisition of TEMP in 2012 TH SAT also sells the products of TEMP (ferrosilicon manganese and calcium carbide). The Management Board of the Company considers the operations of TH SAT on sales of products of TMP and TEMP as part of operations of these segments rather than as a separate activity and accordingly a separate segment. Accordingly, revenues and results of TH SAT were included in the segments reporting of TMP and TEMP.

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

The 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 profit or loss, assets and liabilities of operating segments

The CODM measures the performance of each segment based on earnings before interest, taxation, depreciation and amortisation ('EBITDA'). This indicator does not include profit from business combinations, losses from impairment of investments, property, plant and equipment, exploration and evaluation assets and intangible assets, losses from 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 receivables (current and non-current), property, plant and equipment, investment property, exploration and evaluation assets, advances for property, plant and equipment and for exploration and evaluation assets, investments in associates and investments at cost, non-current assets and assets of disposal groups classified as held for sale. Segment liabilities consist of financial payables, advances received from customers and loans.

6 Segment Information (continued)

Internal charges between segments are included in the performance measurement of each segment. Information on revenue from sales to third parties reported to the CODM is prepared on the basis of accounting policies consistent with those applied in the consolidated statement of profit and loss and other comprehensive income.

6 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2013 is set out below:

In thousands of Kazakhstani Tenge	Head office	Manganese	TMP	TarEP	TEMP	Zinc	Nickel	Chrome	Petro-chemicals	Other segments	Intersegment eliminations	Total
Revenue	-	878,174	1,324,004	422,366	8,812,727	-	-	-	-	49,912	-	11,487,183
Intersegment revenue	-	67,790	3,564	51,761	-	-	-	-	-		(123,115)	-
Segment revenue	**-**	**945,964**	**1,327,568**	**474,127**	**8,812,727**	**-**	**-**	**-**	**-**	**49,912**	**(123,115)**	11,487,183
EBITDA	**(1,220,501)**	**316,729**	**(1,583,400)**	**(138,121)**	**(708,569)**	**(657,611)**	**(144,297)**	**(239,027)**	**-**	**(866,650)**	**-**	**(5,241,447)**
Government grants	-	-	218,623	-	-	-	-	-	-	-	-	218,623
Income from sale of subsidiary	-	-	-	-	-	23,954,403	-	-	-	-	-	23,954,403
Impairment of receivables	(4,679,549)	-	-	-	-	-	-	-	-	-	-	(4,679,549)
Impairment of investment property	-	-	-	-	(1,223,581)	-	-	-	-	-	-	(1,223,581)
Depreciation and impairment of property, plant and equipment and intangible assets	(9,148)	(1,378,454)	(2,994,963)	(412)	(2,262,544)	-	(2,704)	(119,833)	-	(4,935)	-	(6,772,993)
Losses from write-down of inventories to net realizable value and impairment of inventories	-	-	100,731	(7,202)	-	-	-	-	-	-	-	93,529
Impairment of exploration and evaluation assets	-	-	-	-	-	-		(2,188,795)	-	-	-	(2,188,795)
Income for the year from discontinued operations												(22,988,340)
Finance income												405,044
Finance costs												(3,510,308)
Loss before tax												**(21,933,414)**
Income tax savings												978,915
Loss for the year from continuing operations												**(20,954,499)**

The Group's share in losses of KPI and KLPE in the aggregate amount of Tenge 242,056 thousand and in profit of Kazgeocosmos in the amount of Tenge 1,893 thousand was included in EBITDA of 'Petrochemicals' segment and 'Other segments', respectively.

6 Segment Information (continued)

In thousands of Kazakhstani Tenge	Head office	Manganese	TMP	TarEP	TEMP	Zinc	Nickel	Chrome	Petro-chemicals	Other segments	Intersegment eliminations	Total
Capital expenditures:												
Acquisition of property, plant and equipment (excluding capitalised borrowing costs)	3,570	1,308,789	113,749	1,903	276,706	-	152,949	-	-	87,895	-	**1,945,561**
Acquisition of exploration and evaluation assets	-	-	-	-	-	-	29,698	40,989	-	-	-	**70,687**
Segment assets	**29,576,242**	**3,289,579**	**12,184,481**	**122,903**	**12,512,779**	**41,761,000**	**1,943,736**	**19,145**	**6,146,377**	**585,372**	**(18,931,949)**	**89,209,665**
Reconciliation												
Intangible assets												1,879,117
Deferred income tax asset												1,099,487
Unallocated other non-current assets												1,191,181
Provision for impairment of receivables												(5,333,863)
Provision for impairment of inventories												(77,632)
Other current assets												901,669
Cash and cash equivalents												333,688
Non-current assets and assets of disposal groups classified as held for sale												3,977,015
Total assets												**93,180,327**

6 Segment Information (continued)

In thousands of Kazakhstani Tenge	Head office	Manganese	TMP	TarEP	TEMP	Zinc	Nickel	Chrome	Petro-chemicals	Other segments	Intersegment eliminations	Total
Segment liabilities	**18,587,410**	**6,228,279**	**14,812,171**	**398,349**	**7,126,682**	**196,932**	**2,453,668**	**1,748,211**	**-**	**9,176,644**	**(18,931,949)**	**41,796,397**
Reconciliation												
Deferred income tax liability												1,351,189
Site restoration provision												1,701,616
Other non-current liabilities												6,996,557
Unallocated payables												1,550,752
Liabilities of disposal groups classified as held for sale												5,892,772
Total liabilities												**59,289,283**

The Group's investments in KLPE in the aggregate amount of Tenge 6,146,377 thousand and Kazgeocosmos in the amount of Tenge 207,780 thousand were included in segment assets of 'Petrochemicals' segment and 'Other segments', respectively.

6 Segment Information (continued)

Segment information for the reportable segments for the year ended 31 December 2012 is set out below:

In thousands of Kazakhstani Tenge	**Head office**	**Manganese**	**TMP**	**TarEP**	**TEMP**	**Zinc**	**Nickel**	**Chrome**	**Petro-chemicals**	**Other segments**	**Intersegment eliminations**	**Total**
Revenue	-	280,870	7,836,161	844,235	6,735,404	-	-	-	-	-	-	15,696,670
Intersegment revenue	-	74,901	930,020	212,955	-	-	-	-	-	-	(1,217,876)	-
Segment revenue	**-**	**355,771**	**8,766,181**	**1,057,19(**	**6,735,404**	**-**	**-**	**-**	**-**	**-**	**(1,217,876)**	**15,696,670**
EBITDA	**1,070,183**	**(417,910)**	**(14,158)**	**(100,027)**	**(558,382)**	**(880,351)**	**(133,620)**	**(23,569)**	**(435,036)**	**(482,924)**	**-**	**(1,975,794)**
Government grants	-	-	218,623	-	-	-	-	-	-	-	-	218,623
Income from business combinations	-	-	-	-	5,441,762	-	-	-	-	-	-	5,441,762
Impairment of exploration and evaluation assets	-	(213,430)	-	-	-	-	-	-	-	-	-	(213,430)
Depreciation and impairment of property, plant and equipment and intangible assets	(37,570)	(689,766)	(1,567,721)	(33,107)	(902,571)	-	(3,645)	(497)	-	4,898	-	(3,229,979)
Losses from write-down of inventories to net realizable value and impairment of inventories	-	-	(283,008)	-	(18,118)	-	-	-	-	-	-	(301,126)
Loss for the year from discontinued operations												1,047,460
Finance income												467,490
Finance costs												(4,398,885)
Loss before tax												**(2,943,879)**
Income tax savings												1,010,954
Loss for the year from continuing operations												**(1,932,925)**

The Group’s share in losses of KPI and KLPE in the aggregate amount of Tenge 435,036 thousand and in profit of Kazgeocosmos in the amount of Tenge 28,922 thousand was included in EBITDA of ‘Petrochemicals’ segment and ‘Other segments’, respectively.

6 Segment Information (continued)

In thousands of Kazakhstani Tenge	Head office	Manganese	TMP	TarEP	TEMP	Zinc	Nickel	Chrome	Petro-chemicals	Other segments	Intersegment eliminations	Total
Capital expenditures:												
Acquisition of property, plant and equipment (excluding capitalised borrowing costs)	2,728	1,701,054	625,768	1,115	1,097,594	308,646	126,337	5,746	-	-	-	3,868,988
Acquisition of exploration and evaluation assets	-	(1,560)	-	-	-	-	100,373	354,596	-	-	-	453,409
Segment assets	**28,695,918**	**2,753,012**	**17,764,685**	**305,188**	**12,608,830**	**21,929,691**	**2,407,181**	**2,345,258**	**6,623,284**	**10,130,226**	**(26,595,578)**	**78,967,695**
Reconciliation												
Intangible assets												2,063,609
Deferred income tax asset												867,881
Unallocated other non-current assets												1,774,721
Provision for impairment of receivables												(958,868)
Provision for impairment of inventories												(171,161)
Other current assets												1,561,137
Cash and cash equivalents												501,688
Non-current assets and assets of disposal groups classified as held for sale												2,983,817
Total assets												**87,590,519**

6 Segment Information (continued)

In thousands of Kazakhstani Tenge	Head office	Manganese	TMP	TarEP	TEMP	Zinc	Nickel	Chrome	Petro-chemicals	Other segments	Intersegment eliminations	Total
Segment liabilities	**15,271,462**	**5,407,111**	**17,723,192**	**360,020**	**5,024,936**	**4,324,628**	**2,246,320**	**1,683,119**	**-**	**13,388,495**	**(26,597,535)**	**38,831,748**
Reconciliation												
Deferred income tax liability												2,111,993
Site restoration provision												1,104,158
Other non-current liabilities												7,175,884
Unallocated payables												1,537,215
Liabilities of disposal groups classified as held for sale												4,809,706
Total liabilities												**55,570,704**

The Group's investments in KPI and KLPE in the aggregate amount of Tenge 6,623,284 thousand and Kazgeocosmos in the amount of Tenge 205,887 thousand were included in segment assets of 'Petrochemicals' segment and 'Other segments', respectively.

6 Segment Information (continued)

(d) Geographical information

Below is the information on revenue from sales to third parties and non-current segment assets by their geographical location:

	Revenue from sales to third parties[1]		Non-current assets[2]	
In thousands of Kazakhstani Tenge	**2013**	**2012**	**31 December 2013**	**31 December 2012**
Republic of Kazakhstan	5,992,402	6,178,203	37,303,957	40,151,489
Republic of Turkey		-	-	2,661,830
Russian Federation	3,504,902	8,443,081	-	-
Uzbek Republic	105,607	525,655	-	-
People's Republic of China	861,386	167,447	-	-
Ukraine	87,202	117,068	-	-
Kyrgyz Republic	51,700	37,402	-	-
Others[3]	883,984	227,814	-	-
Total	**11,487,183**	**15,696,670**	**37,303,957**	**42,813,319**

[1] The geographical location of customers is defined by the country of their domicile.

[2] Non-current assets exclude deferred tax assets and other non-current financial assets.

[3] Others include customers mainly from other CIS countries.

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 account balances as at 31 December 2013 and 31 December 2012 is presented below.

The following companies were included as other related parties:

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

As at 31 December 2013, the outstanding balances on related party transactions were as follows:

In thousands of Kazakhstani Tenge	Note	Shareholders	Companies under common control	Other related parties
Other non-current assets		-	-	743,297
Less: provision for impairment		-	-	-
Receivables	16	3,003,616	-	9,753,042
Less: provision for impairment		-	-	(5,225,054)
Loans		107,312	-	603,400
Debt component of preferred shares		957,214	-	210,909
Dividends on preferred shares		53,285	-	11,736
Payables		415,000	-	267,160

As at 31 December 2012, the outstanding balances on related party transactions were as follows:

In thousands of Kazakhstani Tenge	Note	Shareholders	Companies under common control	Other related parties
Other non-current assets		-	-	596,304
Less: provision for impairment		-	-	(47,629)
Receivables	16	234,041	-	9,500,149
Less: provision for impairment		-	-	(477,793)
Loans		127,500	-	603,400
Debt component of preferred shares		1,962,167	-	1,061,444
Payables		103,500	-	88,895

Gross amount of debt from related parties included in other non-current assets, include the following:

In thousands of Kazakhstani Tenge	2013	2012
Road Construction Technics LLP	743,297	454,712
Road Construction LLP	-	93,963
Other	-	47,629
Total gross long-term debt from related parties	**743,297**	**596,304**

7 Balances and Transactions with Related Parties (continued)

Long-term debt from Road Construction Technics LLP ("Road Construction Technics") and Road Construction LLP ("Road Construction") includes:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Advances for construction of processing plant and works on shift of the road at Western Kamys field	743,297	548,675
Total long-term debt from Road Construction and Road Construction Technics	743,297	**548,675**

Gross receivables from related parties include the following:

In thousands of Kazakhstani Tenge	**2013**	**2012**
SDB Group LLP	3,985,064	3,985,215
Flegont LLP	3,405,249	3,410,749
Independent Lawyers Group LLP	1,476,862	1,560,849
Dan Construction LLP	286,975	286,975
VTN Oil LLP	234,041	234,041
Shymkent Munai Onimderi LLP	38,681	175,818
Road Construction Technics LLP	35,675	55,000
Mr. Kenges Rakishev	3,003,616	-
Mirador Sauda LLP	229,755	-
Road Construction LLP	40,000	-
D.D. Kumpeissov	20,580	-
Other	160	25,543
Total gross receivables from related parties	**12,756,658**	**9,734,190**

SDB Group LLP

Receivables from SDB Group LLP ("SDB Group") as at 31 December 2012 represent the temporary interest-free financial aid for the period until 31 December 2013. In 2013, the maturity date was extended until 31 December 2014. As at 31 December 2013 the debt from SDB Group was partially impaired in the amount of Tenge 2,624,309 thousand.

Flegont LLP

In 2012, the Group provided temporary interest-free financial aid to Flegont LLP ("Flegont") with a maturity of up to 31 December 2013. During 2012 Flegont partially repaid the debt in the amount of Tenge 1,628,191 thousand. In 2013, the maturity date was extended until 31 December 2014. As at 31 December 2013 the debt from SDB Group was partially impaired in the amount of Tenge 2,553,937 thousand.

Independent Lawyers Group LLP

In 2011, the Group provided temporary interest-free financial aid to Independent Lawyers Group LLP ("ILG") in the amount of Tenge 2,945,313 thousand with a maturity of up to 31 December 2012. During 2012, the debt was partially repaid in the amount of Tenge 1,384,464 thousand. In December 2012, the agreement on provision of financial aid was extended until 31 December 2013. In 2013, the agreement on provision of financial aid was extended until 31 December 2014. As at 31 December 2013 the debt from ILG is not past due. Management believes that the Group will fully collect the amount receivables from ILG within agreed terms, and accordingly no provision for impairment was accrued.

Mr. Kenges Rakishev

In December 2013 the Group provided temporary interest-free financial aid to the shareholder in the amount of Tenge 3,003,616 thousand with a maturity of up to 31 December 2014. As at 31 December 2013 the debt from the shareholder is not past due. Management believes that the Group will fully collect the amount receivables within agreed terms, and accordingly no provision for impairment was accrued.

7 Balances and Transactions with Related Parties (continued)

Items of financial statements on related party transactions for the year ended 31 December 2013 are presented below:

In thousands of Kazakhstani Tenge	Note	Shareholders	Companies under common control	Other related parties
Revenue		-	-	2,540
Cost of sales		-	-	-
General and administrative expenses		-	-	-
Other operating income		-	-	455,624
Other operating expenses		-	-	-
Finance costs		106,248	-	23,410
Revenue included in discontinued operations		23,803,878	-	-
Purchase of property, plant and equipment		-	-	942,201

Cost of sales, general and administrative expenses and selling expenses represent acquisition of goods and services. Finance costs comprise dividends on preferred shares.

The sale of interest in KPI to Almex Plus is recognised in other operating income.

Below are the items of financial statements in related party transactions for the year ended 31 December 2012:

In thousands of Kazakhstani Tenge	Note	Shareholders	Companies under common control	Other related parties
Revenue		-	-	1,749
Cost of sales		-	-	27,899
General and administrative expenses		-	-	4,800
Other operating income		-	-	10,147
Other operating expenses		-	-	69,217
Finance costs		220,946	-	119,522
Revenue included in discontinued operations		-	-	42,272
Expenses included in discontinued operations		-	-	272,839
Purchase of property, plant and equipment		-	-	1,199,673
Purchase of inventories		-	-	7,722

Cost of sales, general and administrative expenses and selling expenses represent acquisition of goods and services. Finance costs comprise dividends on preferred shares. Revenue included in discontinued operations represents represent sales of coal to related parties.

Key management personnel compensation in 2013, including salaries, bonuses and other short-term employee benefits, comprised Tenge 42,639 thousand (2012: Tenge 19,708 thousand). Key management personnel as at 31 December 2013 include 5 persons (2012: 4 persons).

As at 31 December 2013 members of key management personnel own 0.89% of the outstanding ordinary shares of the Company (2012: 1.44%).

As at 31 December 2013, the Group is the guarantor or co-borrower with respect to liabilities of the Group's related parties in the aggregate amount of Tenge 20,949,294 thousand (Note 37).

8 Property, Plant and Equipment

Changes in the carrying amount of property, plant and equipment are as follows:

In thousands of Kazakhstani Tenge	**Mining assets**	**Land owned**	**Buildings and structures**	**Machinery and equipment**	**Vehicles**	**Other**	**Constructi-on in progress**	**Total**
Cost as at 1 January 2012	594,580	3,374,780	26,688,382	7,881,441	316,407	396,760	3,494,830	42,747,180
Accumulated depreciation	(34,717)	-	(1,185,206)	(1,260,352)	(103,860)	(157,521)	-	(2,741,656)
Carrying amount as at 1 January 2012	**559,863**	**3,374,780**	**25,503,176**	**6,621,089**	**212,547**	**239,239**	**3,494,830**	**40,005,524**
Acquisitions through business combinations	-	12,581	2,029,722	4,429,020	964,503	33,247	-	7,469,073
Proceeds	55,382	7,857	338,766	1,110,689	273,162	27,514	3,042,124	4,855,494
Transfers	-	-	271,877	427,326	43,685	291	(743,179)	-
Depreciation								
- continuing operations	(1,577)	-	(1,009,236)	(1,263,192)	(185,665)	(36,813)	-	(2,496,483)
- discontinued operations	(33,822)	-	(62,634)	(51,177)	(6,614)	(6,454)	-	(160,701)
Impairment	(160,959)	-	(13,637)	(115,921)	(22,169)	(5,955)	(146,920)	(465,561)
Disposal	(176,098)	-	(44,324)	(582,706)	(144,060)	(15,143)	(1,723)	(964,054)
Transfer to disposal group	(242,789)	(498)	(18,937,071)	(1,485,511)	(45,189)	(120,363)	(2,997,388)	(23,828,809)
Translation to presentation currency	-	2,727	(907)	12,318	5,561	625	-	20,324
Cost as at 31 December 2012	181,763	3,397,447	9,782,735	11,334,371	1,366,402	259,483	2,794,664	29,116,865
Accumulated depreciation and impairment	(181,763)	-	(1,707,003)	(2,232,436)	(270,641)	(143,295)	(146,920)	(4,682,058)
Carrying amount as at 31 December 2012	**-**	**3,397,447**	**8,075,732**	**9,101,935**	**1,095,761**	**116,188**	**2,647,744**	**24,434,807**
Proceeds	425,421	32,240	157,687	164,435	35,916	12,023	1,117,839	1,945,561
Transfers	-	-	49,238	33,205	3,093	82	(108,724)	(23,106)
Depreciation	-	-	(959,343)	(978,063)	(203,483)	(35,004)	-	(2,175,893)
Impairment	(425,421)	(34,962)	(1,399,580)	(1,290,508)	(2,264)	(6,584)	(1,262,406)	(4,421,725)
Disposal	-	(39,042)	(344,457)	(585,952)	(72,698)	(4,220)	(3,327)	(1,049,696)
Translation to presentation currency	-	-	-	-	-	-	-	-
Cost as at 31 December 2013	607,184	3,390,645	9,645,203	10,946,059	1,332,713	267,368	3,800,452	29,989,624
Accumulated depreciation and impairment	(607,184)	(34,962)	(4,065,926)	(4,501,007)	(476,388)	(184,883)	(1,409,326)	(11,279,676)
Carrying amount as at 31 December 2013	**-**	**3,355,683**	**5,579,277**	**6,445,052**	**856,325**	**82,485**	**2,391,126**	**18,709,948**

Proceeds during 2013 include an increase in the provision for site restoration in the amount of Tenge 499,743 thousand recorded to the cost of relevant assets (2012: Tenge 46,032 thousand) (Note 21).

Impairment of property, plant and equipment is related to the following CGUs (Note 4):

In thousands of Kazakhstani Tenge	**2013**	**2012**
TMP	1,879,073	-
TEMP	1,168,371	-
Sivas and Denizli	56,144	-
Western Kamys	1,318,138	367,408
Aitkokshe	-	89,294
Tyuebay-Syurtysu	-	8,859
Total impairment of property, plant and equipment	**4,421,725**	**465,561**

8 Property, Plant and Equipment (continued)

Construction in progress as at 31 December 2013 mainly represents the costs of construction and installation works in progress and equipment for installation acquired in the course of construction of Arman 100 processing plant. Upon completion of works, the assets will be transferred to ‘Building and structures and ‘Machinery and equipment’ categories.

As at 31 December 2013 certain property, plant and equipment with a carrying amount of Tenge 11,483,877 were pledged as collateral for loans (2012: Tenge 17,201,333 thousand) (Note 22).

9 Exploration and Evaluation Assets

In thousands of Kazakhstani Tenge	Note	2013	2012
Carrying amount as at 1 January		3,825,714	3,781,538
Proceeds		75,343	453,409
Change in accounting estimates charged against exploration and evaluation assets			
- obligation on payment of commercial discovery bonus		2,059	(307,067)
- obligation for reimbursement of historical costs	23	(29,929)	(9,708)
- site restoration provision	21	2,750	24,207
Impairment	28	(2,188,795)	(213,430)
Transfer to property, plant and equipment			-
Translation to presentation currency		-	96,765
Total exploration and evaluation assets		**1,687,142**	**3,825,714**

Exploration and evaluation assets include the following capitalised expenses:

In thousands of Kazakhstani Tenge	2013	2012
Subsurface use (exploration and evaluation) rights		
- Gornostayevskoye	979,225	1,007,095
- Sivas	298,613	314,190
- Denizli	156,560	164,727
- Tuyebay-Syurtysu	22,362	22,362
Total subsurface use rights	*1,456,760*	*1,508,374*
Geological and geophysical works	958,432	844,282
Exploratory drilling	550,470	550,470
Salary and related expenses	521,219	532,690
Depreciation	241,241	253,825
Laboratory works	55,556	50,546
Other	305,689	298,957
Impairment	(2,402,225)	(213,430)
Total exploration and evaluation assets	**1,687,142**	**3,825,714**

Changes in accounting estimates in 2012 are mainly due to the following:

- Writing off of liability for reimbursement of historical costs under the subsurface use contract for exploration of ferromanganese ores at Tuyebay-Syurtysu field in connection with the decision on termination of operations of Saryarka Mining (Note 4).
- Revision of the estimated obligation on payment of commercial discovery bonus at Gornostayevskoye field mainly due to revision of internal assessments of nickel-cobalt ore reserves and current market prices for minerals.

9 Exploration and Evaluation Assets (continued)

Impairment of exploration and evaluation assets related to the following CGUs (Note 4):

In thousands of Kazakhstani Tenge	2013	2012
Western Kamys	-	63,141
Tyuebay-Syurtysu	-	150,289
Sivas and Denizli	2,188,795	-
Total impairment of exploration and evaluation assets	**2,188,795**	**213,430**

10 Investment Property

In thousands of Kazakhstani Tenge	Note	2013	2012
Carrying amount as at 1 January		**2,853,372**	-
Acquisitions through business combinations	5	-	2,832,370
Proceeds		-	21,002
Impairment		(1,223,581)	-
Disposal		(4,588)	-
Carrying amount as at 31 December		**1,625,203**	**2,853,372**

Investment property includes industrial warehouse complexes in Astana, Karaganda and Temirtau cities acquired by the Group as part of acquisition of TEMP (Note 5). Fair value of investment property at the acquisition date was measured by a professional appraiser using the income approach (direct capitalisation method) and comparative approach (comparative sales method). In the current period the Group made a decision on impairment of investment property (Note 4).

As at 31 December 2013 certain items of investment property with carrying amount of Tenge 1,625,203 thousand were pledged as collateral for certain loans (2012: Tenge 2,195,260 thousand) (Note 22).

During 2013, the Group received income from operating lease of industrial warehouse complexes totaling Tenge 45,928 thousand (2012: Tenge 41,254 thousand).

11 Intangible Assets

In thousands of Kazakhstani Tenge	**Goodwill**	**Subsurface use rights**	**Other**	**Total**
Cost as at 1 January 2012	-	119,479	25,171	144,650
Accumulated depreciation and impairment	-	(10,474)	(23,726)	(34,200)
Carrying amount as at 1 January 2012	**-**	**109,005**	**1,445**	**110,450**
Acquisitions through business combinations	6,542	2,150,986	-	2,157,528
Proceeds	-	-	46,737	46,737
Depreciation	-	(156,539)	(3,515)	(160,054)
Disposal	-	-	(130)	(130)
Impairment	(6,542)	(84,033)	-	(90,575)
Transfer to disposal group	-	-	(347)	(347)
Cost as at 31 December 2012	-	2,270,465	70,942	2,341,407
Accumulated depreciation and impairment	-	(251,046)	(26,752)	(277,798)
Carrying amount as at 31 December 2012	**-**	**2,019,419**	**44,190**	**2,063,609**
Proceeds		-	-	-
Depreciation		(175,375)	(9,117)	(184,492)
Disposal		-	-	-
Cost as at 31 December 2013		2,270,465	70,942	2,341,407
Accumulated depreciation and impairment		(426,421)	(35,869)	(462,290)
Carrying amount as at 31 December 2013		**1,844,044**	**35,073**	**1,879,117**

Goodwill relates to acquisition of Axem Investment (Note 5). At 31 December 2012 management concluded that goodwill is impaired and charged its full value to period expenses within general and administrative expenses (Note 29).

Subsurface use rights acquired through business combinations in 2012 represent the rights for extraction of manganese ore at Bogach field (Note 5).

Impairment of subsurface use rights recognised in 2012 represents write-down of the full value of the subsurface use right for production of manganese ores at Western Kamys field as a result of impairment test (Note 4).

12 Investments in Associates

The table below summarises changes in the carrying amount of the Group's investments in associates:

	Associates			**Total**
In thousands of Kazakhstani Tenge	**KPI**	**Kazgeokosmos**	**KLPE**	
Carrying amount as at 1 January 2012	**3,361,201**	**75,199**	**79**	**3,436,479**
Acquisition of share during the year	-	101,766	-	101,766
Investment during the year	-	-	3,700,040	3,700,040
Share in (loss) / profit for the year	(382,229)	28,922	(52,807)	(406,114)
Disposals	(3,000)	-	-	(3,000)
Carrying amount as at 31 December 2013	**2,975,972**	**205,887**	**3,647,312**	**6,829,171**
Investment during the year	12,409,405	-	2,607,501	15,016,906
Share in (loss) / profit for the year	(133,620)	1,893	(108,436)	(240,163)
Disposals	(15,251,757)	-	-	(15,251,757)
Carrying amount as at 31 December 2013	**-**	**207,780**	**6,146,377**	**6,354,157**

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" (under government decree dated 29 January 2004). The construction of petrochemical complex is carried out on the basis of the special economic zone "National industrial petrochemical technology park in Atyrau region". The relevant decree was signed by the President in December 2007. The purpose of the project is the use of available gas volume from Tengiz field as a feedstock for the production of value-added petrochemical products. It comprises two phases: construction of polypropylene production complex of 500,000 tons per annum (phase 1) and construction of polyethylene production complex of 800,000 tons per annum (phase 2). Realisation of the first phase is carried out by KPI and of the second phase by KLPE 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 transferred its 24% share to the Group for the total amount of Tenge 733,850 thousand.

In addition, during 2010 KPI increased its authorised capital, and the Group made a contribution against this increase totaling Tenge 2,954,302 thousand in cash.

During 2012, the authorised capital of KPI was increased by Tenge 25,325,316 thousand, of which the interest of the Group amounted to Tenge 12,409,405 thousand and was paid in 2013. Herewith, the Group's interest in KPI remained 49%. On 6 December 2013 the interest in KPI was sold to Almex Plus for Tenge 15,696,405 thousand. Following, income from sales was recognised in other income in the amount of Tenge 444,648 thousand (note 27).

12 Investments in Associates (continued)

KLPE

In 2011, the Group established Ammonia P&D Company (later renamed as KLPE) (Note 1) 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 addendum 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 (“UCC”), a subsidiary of National Welfare Fund Samruk-Kazyna JSC (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 actually 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 27). In March 2012, in accordance with the joint venture agreement, another 25% in KLPE was sold to UCC.

During 2012, the authorised capital of KLPE was increased to Tenge 25,242,944 thousand of which Tenge 20,008,442 thousand was fully paid as at 31 December 2012. In 2013, the Group made a contribution to the authorised capital of KLPE for the amount of Tenge 2,607,501 thousand in cash (2012: Tenge 3,700,040 thousand).

Kazgeocosmos

The Group takes part in joint investment project "Aerospace Monitoring of Natural and Industrial Facilities". Originally, the participants of this project were: 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 the schedule of withdrawal from the project. 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, as at 31 December 2010 the Group’s interest increased to 32.1%.

In accordance with the share purchase agreement dated 18 October 2010, the Group jointly with the project 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 6.13% interest in Kazgeocosmos from IFK for Tenge 101,766 thousand.

Presented below is the summary financial information on associates as at 31 December 2013 and 2012 and for the years then ended:

In thousands of Kazakhstani Tenge	**Total assets**	**Total liabilities**	**Revenue**	**(Loss) / profit for the year**
2013				
KPI	68,532,649	15,684,326	-	(272,693)
Kazgeocosmos	483,106	80,273	470,596	4,952
KLPE	30,827,243	440,499	-	(433,745)
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)

13 Partly Owned Significant Subsidiaries

Below is the information on subsidiaries with substantial non-controlling interests therein:

Share in capital held by non-controlling interests:

	Country of incorporation and business	2013	2012
FNP Ertis	Republic of Kazakhstan	49%	49%
Kaznickel	Republic of Kazakhstan	49%	49%

Accumulated balances on substantial non-controlling interest:

In thousands of Kazakhstani Tenge	2013	2012
Accumulated non-controlling interests:		
Kaznickel	(80,017)	(34,346)
FNP Ertis	(127,777)	(86,866)
Loss charged to substantial non-controlling interest:		
Kaznickel	(35,499)	(45,671)
FNP Ertis	(55,488)	(40,911)

Below is the summarized financial information on these subsidiaries. This information is based on the amounts before exclusion of intercompany transactions of the Group.

Summarized profit and loss statement:

	2013		2012	
In thousands of Kazakhstani Tenge	**Kaznickel**	**FNP Ertis**	**Kaznickel**	**FNP Ertis**
Other operating income	-	1,340	-	332
General and administrative expenses	(33,760)	(114,445)	(53,759)	(83,824)
Other operating expenses	-	(136)	(14)	-
Finance costs	(38,687)	-	(39,433)	-
Loss before tax	**(72,447)**	**(113,241)**	**(93,206)**	**(83,492)**
Total comprehensive income	**(72,447)**	**(113,241)**	**(93,206)**	**(83,492)**
Attributable to non-controlling interests	(35,499)	(55,488)	(45,671)	(40,911)

Summarized statement of financial position as at 31 December:

	2013		2012	
In thousands of Kazakhstani Tenge	**Kaznickel**	**FNP Ertis**	**Kaznickel**	**FNP Ertis**
Property, plant and equipment	1,637	393,716	2,329	265,821
Exploration and evaluation assets	1,251,755	-	1,247,207	-
Other non-current assets	36,842	337,967	55,704	401,749
Receivables	146	1,206,649	322	1,181,227
Cash and cash equivalents	3,617	11,156	1,133	2,923
Other current assets	326	4	368	164
Non-current liabilities	(640,311)	-	(626,774)	-
Payables	(1,350,136)	(2,323,384)	(1,303,966)	(2,112,535)
Total capital	**(696,124)**	**(373,892)**	**(623,677)**	**(260,651)**
Attributable to				
Shareholders of the Group	(580,608)	(190,627)	(543,660)	(132,874)
Non-controlling shareholders	(115,516)	(183,265)	(80,017)	(127,777)

14 Other Non-Current Assets

In thousands of Kazakhstani Tenge	Note	2013	2012
Non-current portion of debt from LG Chem		-	1,268,039
Restricted cash		29,806	44,857
Non-current debt from related parties		-	16,250
Non-current debt from employees		-	240
Other non-current receivables		37,712	364,305
Less: provision for impairment		-	(380,555)
Total non-current financial assets		*67,518*	*1,313,136*
Prepayments for property, plant and equipment		1,259,903	1,186,301
Non-current recoverable VAT		945,165	1,095,735
Prepayment for acquisition of businesses		50,000	540,000
Prepayments for exploration and evaluation assets		-	35,825
Other		128,498	92,799
Less: provision for impairment		-	(13,985)
Total other non-current assets		**2,451,084**	**4,249,811**

Prepayment for acquisition of businesses

In January 2012, the Group participated in the tender for acquisition of the following assets from SEC Saryarka:

- 40% interest in subsurface use rights under contract No. 2447 dated 20 August 2007 for exploration and extraction of copper at man-made mineral formations (dumps) of Kounrad mine in Karaganda oblast (“Kounrad subsurface use contract”).
- 40% interest in the authorised capital of Copper Company Kounrad LLP (“CC Kounrad”).
- 40% interest in the joint operations agreement on the project “Exploration and extraction of copper at man-made mineral formations (dumps) of Kounrad mine in Karaganda oblast” dated 16 August 2010 (“JOA Kounrad”).

Central Asia Metals Plc. (“CAML”) through its subsidiaries holds 60% interest in each of these assets. On12 January 2012, the Group entered into preliminary agreement with CAML, pursuant to which in case of winning in the tender the Group is obliged to acquire and transfer to CAML 40% interest in each of the above mentioned assets in exchange of 8,616,593 issued ordinary shares of CAML, which represents 10% of total issued ordinary shares of CAML as at 10 January 2012.

In accordance with the terms of preliminary agreement CAML will issue and transfer to the Group the defined number of shares upon completion the following: (i) the subsidiary of CAML Sary Kazna LLP becomes the only subsurface user under the Kounrad subsurface use contract and (ii) the Group transfers 40% interest in CC Kounrad to CAML.

The Group was announced as a winner of the tender and on 25 January 2012 entered into the sale and purchase agreement with SEC Saryarka on acquisition of the 40% right under the Kounrad subsurface use contract, 40% interest in the authorised capital of CC Kounrad and 40% participation interest in JOA Kounrad for Tenge 880,000 thousand.

In 2012, the Group received the government’s waiver to exercise its pre-emptive right for acquisition of these assets and approvals of other government authorities. On 29 December 2012, the 40% interest in CC Kounrad was transferred to the Group, however, as at 31 December 2012 the transfer of 40% right under the Kounrad subsurface use contract and 40% participation interest in JOA Kounrad was not completed. Accordingly, in the consolidated financial statements for 2012 40% interests in the authorised capital of CC Kounrad is not classified as investment in associate.

In 2013, 40% interest in the authorised capital of CC Kounrad was sold to Mr. Kenges Rakishev.

14 Other Non-Current Assets (continued)

Non-current financial assets

Non-current portion of debt from LG Chem as at 31 December 2012 is a non-current portion of debt resulted from sale by the Group of the right of participation in KLPE in 2011 (Notes 12).

Restricted cash include special bank deposits placed in accordance with subsurface use contracts. Interest rates on these deposits vary from 1% to 4% per annum.

Fair value of non-current financial assets is approximately equal to their carrying amounts.

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

In thousands of Kazakhstani Tenge	**2013**	**2012**
US Dollar	-	1,268,039
Tenge	67,518	45,097
Total non-current financial assets	**67,518**	**1,313,136**

Presented below are changes in the provision for impairment of non-current financial assets:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Balance as at 1 January	380,555	379,374
Accrual for the year	-	1,181
Reversal of provision for the year	-	-
Disposal	(380,555)	-
Balance as at 31 December	**-**	**380,555**

Non-current VAT recoverable

Non-current VAT recoverable represents input VAT accrued as a result of purchases of goods and services in the territory of the Republic of Kazakhstan.

15 Inventories

In thousands of Kazakhstani Tenge	**2013**	**2012**
Raw and other materials	785,735	1,073,344
Finished goods	695,541	808,756
Construction in progress	136,720	230,999
Construction materials	-	11,189
Other	97,942	171,185
Less: provision for impairment	(77,632)	(171,161)
Total inventories	**1,638,306**	**2,124,312**

15 Inventories (continued)

Changes in the provision for impairment of inventories are presented below:

In thousands of Kazakhstani Tenge	Note	2013	2012
Balance as at 1 January		171,161	154,783
Accrual for the year:			
- continuing operations	26	7,202	18,118
- discontinued operations		-	40,856
Reversal of provision for the year		(100,731)	(1,740)
Translation to presentation currency		-	447
Transfer to disposal group		-	(41,303)
Balance as at 31 December		**77,632**	**171,161**

Inventories with a carrying amount of Tenge 1,471,988 thousand are pledged as security under the loan agreement with RBK Bank (note 22).

16 Receivables

In thousands of Kazakhstani Tenge	Note	2013	2012
Temporary financial aid given to related parties	7	12,161,945	9,734,190
Other temporary financial aid		41,761,000	-
Current portion of debt from LG Chem	27	1,536,100	2,151,768
Debt from purchasers and customers		779,946	476,447
Other financial receivables		784,103	452,056
Less: provision for impairment		(5,258,427)	(556,305)
Total financial receivables		*51,764,667*	*12,258,156*
Advances to suppliers		784,862	327,417
Other receivables		49,418	26,771
Less: provision for impairment		(75,436)	(8,004)
Total receivables		**52,523,511**	**12,604,340**

Financial receivables of the Group are denominated in the following currencies:

In thousands of Kazakhstani Tenge	2013	2012
Tenge	49,938,583	9,935,159
US Dollar	1,567,145	2,167,002
Russian Ruble	258,939	155,342
Other	-	653
Total financial receivables	**51,764,667**	**12,258,156**

16 Receivables (continued)

Changes in the provision for impairment of financial receivables are presented below:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Balance as at 1 January	556,305	2,232,257
Accrual for the year:		
- continuing operations	5,253,953	56,249
- discontinued operations	-	106,582
Reversal of provision for the year:		
- continuing operations	(551,831)	(1,712,203)
- discontinued operations	-	(1,080)
Transfer to disposal group	-	(125,500)
Balance as at 31 December	**5,258,427**	**556,305**

Analysis of financial assets by credit quality is shown below:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Current and not impaired		
Kazakhstani purchasers and customers	49,369,507	9,884,645
Foreign purchasers and customers	1,826,084	2,332,709
Total current and not impaired	*51,195,591*	*12,217,354*
Past due but not impaired		
- from 30 to 90 days	68,734	3,396
- from 90 to 180 days	85,583	-
- from 180 to 360 days	411,066	16,173
- over 360 days	3,693	21,233
Total past due but not impaired	*569,076*	*40,802*
Individually impaired (gross)	5,258,427	556,305
Less: provision for impairment	(5,258,427)	(556,305)
Total financial receivables	**51,764,667**	**12,258,156**

Current and not impaired receivables are represented by existing purchasers and related parties with good credit history. All past due but not impaired receivables relate to consumers which are expected to repay in 2014.

Most of the impaired receivables represent purchasers experiencing unexpected economic difficulties.

17 Other Current Assets

In thousands of Kazakhstani Tenge	**2013**	**2012**
Short-term deposits	7,500	-
Total other financial current assets	*7,500*	-
Recoverable VAT and prepaid taxes	869,723	1,532,791
Other	24,446	28,365
Less: provision for impairment	-	(19)
Total other current assets	**901,669**	**1,561,137**

18 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**2013**	**2012**
Cash on term deposits, in Tenge	1,650	351,099
Cash on current bank accounts, in Tenge	218,394	39,109
Cash on current bank accounts, in foreign currency	103,260	81,307
Cash on hand	10,384	30,173
Total cash and cash equivalents	**333,688**	**501,688**

All bank account balances are neither past due nor impaired. The credit quality of bank account balances are shown in the table below:

		2013		**2012**	
In thousands of Kazakhstani Tenge	**Rating (Moody's)**	**Current bank accounts**	**Term deposits**	**Current bank accounts**	**Term deposits**
Alliance Bank	B3	14,037	1,650	17,942	342,564
Nurbank	Ba3	8,256	-	-	6,592
İş Bankası	Bb	54,714	-	3,432	-
Sberbank of Russia	Ba2	23,918	-	5,466	-
Halyk Bank	Ba2	23,074	-	810	-
ATF Bank	Ba2	8,019	-	2,118	-
Eurasian Bank	B1	139,526	-	2,062	-
J&T Bank CJSC	None	43,584	-	63,786	-
Others	None	6,526	-	24,800	1,943
Total		**321,654**	**1,650**	**120,416**	**351,099**

Term deposits have contractual maturity of less than three months and are repayable on demand. Effective interest rate of term deposits varies from 6.0% to 6.2% per annum.

19 Non-Current Assets and Assets of Disposal Groups Classified as Held for Sale

Disposal groups classified as held for sale

Shalkiya Zinc Ltd

In June 2012, management of the Group decided to sell Shalkiya Zinc Ltd. Accordingly, as at 31 December 2012 all assets and liabilities of Shalkiya Zinc Ltd were included in disposal group classified as held for sale.

On 8 November 2013, 98.13% holding in Shalkiya Zinc Ltd was sold in KASE public sale to Mr. Kenges Rakishev.

19 Non-Current Assets and Assets of Disposal Groups Classified as Held for Sale (continued)

SAT Komir

On 21 December 2012, the Group entered into the agreement with an individual, citizen of Republic of Kazakhstan, on sale of 100% shares of SAT Komir. Total sales value for 100% shares of SAT Komir as stipulated in the share purchase agreement comprises of cash in the amount of Tenge 752,450 thousand and obligation of the purchaser to assume the Group's debt payable to BTA Bank with the nominal value of Tenge 3,371,112 thousand (Note 22). Accordingly, as at 31 December 2013 and 2012 all assets and liabilities of SAT Komir, and the Group's debt payable to BTA Bank were included in the disposal group classified as held for sale.

In February 2014 the transaction was partially completed (Note 41). Monetary remuneration was paid to the Group, and the transfer of obligation on debt to BTA Bank is being completed as of the date of preparation of these financial statements.

The Group concluded that the fair value of SAT Komir being the sales value for 100% shares as stipulated in the share purchase agreement, less cost to sell exceeds the carrying values of the assets of SAT Komir. Accordingly in these consolidated financial statements assets of the SAT Komir disposal group as at 31 December 2013 and 2012 are stated at their carrying value.

Non-current assets held for sale

In 2012, management of the Group made a decision to sell the office building of the Company in Almaty city and currently is engaged in searching for the purchaser. The expected sale price which approximates the current fair value of the building exceeds its carrying amount. Accordingly, in these consolidated financial statements this asset as at 31 December 2013 and 2012 is stated at its carrying amount.

Presented below are non-current assets and assets and liabilities of disposal groups classified as held for sale and liabilities directly associated therewith as at 31 December 2013:

In thousands of Kazakhstani Tenge	**SAT Komir**	**Office building**	**Total**
Property, plant and equipment	1,408,250	761,169	2,169,419
Intangible assets	284	-	284
Exploration and evaluation assets	127,604	-	127,604
Other non-current assets	403,982	-	403,982
Inventories	289,855	-	289,855
Receivables	336,554	-	336,554
Other current assets	586,217	-	586,217
Cash and cash equivalents	63,100	-	63,100
Total non-current assets and assets of disposal groups classified as held for sale	*3,215,846*	761,169	3,977,015
Sire restoration provision	117,874	-	117,874
Loans	934,059	3,791,310	4,725,369
Deferred income tax liabilities	4,200	-	4,200
Other non-current liabilities	-	-	-
Payables	1,045,329	-	1,045,329
Total liabilities of disposal groups classified as held for sale and liabilities directly associated therewith	*2,101,462*	*3,791,310*	*5,892,772*

19 Non-Current Assets and Assets of Disposal Groups Classified as Held for Sale (continued)

Presented below are non-current assets and assets and liabilities of disposal groups classified as held for sale and liabilities directly associated therewith as at 31 December 2012:

In thousands of Kazakhstani Tenge	**Shalkiya Zinc Ltd**	**SAT Komir**	**Office buiding**	**Total**
Property, plant and equipment	20,891,296	2,176,344	761,169	23,828,809
Intangible assets	-	347	-	347
Other non-current assets	910,470	4,311	-	914,781
Inventories	97,772	135,565	-	233,337
Receivables	26,535	147,299	-	173,834
Other current assets	-	493,408	-	493,408
Cash and cash equivalents	3,618	26,543	-	30,161
Total non-current assets and assets of disposal groups classified as held for sale	*21,929,691*	*2,983,817*	*761,169*	*25,674,677*
Sire restoration provision	228,522	115,338	-	343,860
Loans	-	4,368,807	-	4,368,807
Deferred income tax liabilities	3,248,343	-	-	3,248,343
Other non-current liabilities	259,122	37,856	-	296,978
Payables	588,641	287,705	-	876,346
Total liabilities of disposal groups classified as held for sale and liabilities directly associated therewith	*4,324,628*	*4,809,706*	*-*	*9,134,334*

20 Capital

Authorised capital

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

	2013	**2012**
Mr. Kenges Rakishev	51.85%	49.05%
SFC KOR Invest LLP	22.91%	23.49%
Accumulative Pension Funds	14.47%	17.01%
Other	10.77%	10.45%
Total	**100.00%**	**100.00%**

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

	2013	**2012**
Unified Accumulative Pension Fund JSC	66.98%	-
Mr. Kenges Rakishev	27.06%	-
Almex Plus	5.96%	28.77%
APF Republic JSC	-	53.19%
Government Accumulative Pension Fund JSC	-	14.38%
TsesnaBank JSC	-	3.66%
Total	**100.00%**	**100.00%**

20 Capital (continued)

In 2012, Mr. Kenges Rakishev acquired a minority interest in APF Republic JSC.

	2013		2012	
	Number of shares	**Value, thousands of Tenge**	**Number of shares**	**Value, thousands of Tenge**
Ordinary shares	1,246,710,209	19,398,991	1,246,437,867	19,381,199
Preferred shares	392,637,824	12,184,519	389,192,270	12,072,538
Authorised capital, including debt component of preferred shares	**1,639,348,033**	**31,583,510**	**1,635,630,137**	**31,453,737**
Less: debt component of preferred shares		(3,717,908)		(3,689,195)
Total authorised capital		**27,865,602**		**27,764,542**

As at 31 December 2013 total number of authorised ordinary shares is 3,000,000,000 shares (31 December 2012: 3,000,000,000 shares). All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

As at 31 December 2013 total number of authorised preferred shares is 750,000,000 shares (2012: 750,000,000 shares). All issued preferred shares are fully paid.

Both ordinary and preferred shares do not have a declared nominal value.

Preferred shares give pre-emptive rights compared to the ordinary shares in the event of the Company's liquidation. Preferred shares give its holders the right to participate in general shareholders' meetings without voting rights except for cases where decisions are made in relation to re-organisation and liquidation of the Company, and restricting the rights of holders of preferred shares.

Dividends on preferred shares are set at the amount of Tenge 1 per share. Dividends on preferred shares shall not be declared on the amount lower than the amount declared by holders of ordinary shares. If dividends on preferred shares are not paid in full within three months from the date of expiry of the period set for payment of such dividends, preferred shares holders get voting rights until the dividends are actually paid.

Preferred shares are compound financial instruments that contain both share and debt components. The Group measured the fair value of the debt component of preferred shares by applying the relevant effective interest rate of 10.56% to the amount of mandatory annual dividends, using the net present value formula in perpetuity. The amortised cost of the debt component of preferred shares was included in other non-current liabilities (Note 23).

As at 31 December 2013 the number of treasury shares comprised:

- 10,420,747 ordinary shares totaling Tenge 617,460 thousand;
- 2 preferred shares totaling Tenge 60.

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 preferred shares (included in capital) divided by the number of issued ordinary shares at the end of the year. As at 31 December 2013, this indicator calculated by the management of the Group on the basis of data from these consolidated financial statements comprised Tenge 19.05 (2012: Tenge 17.44). The Group is also required to disclose dividends payable to holders of non-voting preferred shares, non-voting preferred shares (included in capital) and debt component of non-voting preferred shares divided by the number of issued non-voting preferred shares. As at 31 December 2013, this indicator amounted to Tenge 31.53 (31 December 2012: Tenge 31.52).

During 2013 and 2012, the Group neither accrued nor paid dividends on ordinary shares.

The Group, as a member of KASE, fulfills legal requirements on ratio of the authorised and equity capital and amount of the authorised capital.

20 Capital (continued)

Change in share of subsidiaries

In 2013, the Group acquired 27 ordinary shares of TEMP from its non-controlling shareholders for Tenge 352,900 thousand. Herewith, the Group's share in the total number of voting shares of TEMP increased up to 100%. The Group recognised gain on transaction with the non-controlling interest in the amount of Tenge 1,252,359 thousand, calculated as the difference between the amount paid and the carrying amount of the minority interest acquired, directly in equity.

In 2012, the Group acquired 4,206,664 ordinary shares of Shalkiya Zinc NV from its non-controlling shareholders for Tenge 91,055 thousand. Herewith, the Group's share in the total number of voting shares of Shalkiya Zinc NV increased from 84.28% to 98.13%. The Group recognised gain on transaction with the non-controlling interest in the amount of Tenge 2,792,249 thousand, calculated as the difference between the amount paid and the carrying amount of the minority interest acquired, directly in equity.

Also in 2012 the Group acquired 1,742,835 ordinary shares of SAT&Co Holding from its non-controlling shareholders for Turkish Lira 1,742,835 thousand (Tenge 143,261 thousand). Herewith, the Group's share in the total number of voting shares of SAT&Co Holding increased from 90% to 97.73%. The Group recognised loss on transaction with the non-controlling interest in the amount of Tenge 95,325 thousand, calculated as the difference between the amount paid and the carrying amount of the minority interest acquired, directly in equity.

21 Site Restoration Provision

The Group has a legal obligation to restore lands disturbed during the mining operations and to decommission mining equipment after expected closure of contractual territories.

Changes in the site restoration provision are presented below:

In thousands of Kazakhstani Tenge	Note	2013	2012
Carrying amount as at 1 January		1,125,094	744,918
Increase in provision through business combinations	5	-	556,750
Change in estimates recorded to:			
- property, plant and equipment	8	499,743	46,032
- exploration and evaluation assets	9	2,750	24,207
- profit and loss		36,019	33,215
Unwinding of the present value discount			
- continuing operations	33	61,559	42,132
- discontinued operations		-	21,700
Transfer to disposal group	19	-	(343,860)
Translation to presentation currency		(2,613)	-
Carrying amount as at 31 December		**1,722,552**	**1,125,094**
Non-current portion		1,701,616	1,104,158
Current portion	24	20,936	20,936

Current portion represents site restoration provisions for Aitkokshe field and Tyuebay-Syurtysu area related fields which were classified as current due to the Group's decision to cease the exploration activities at these fields (Note 1).

The amount of site restoration provision was calculated using nominal prices effective at the reporting dates, applying the forecasted inflation rate for expected period of mining operations and discount rate at the end of the reporting period. Uncertainties in estimation of such expenditures include potential changes in requirements of environmental legislation, volumes and alternative methods of restoration activities, discount level and inflation rates.

21 Site Restoration Provision (continued)

Underlying assumptions used in estimation of site restoration provision are presented below:

	2013	2012
Discount rate	4.57%-7.47%	4.63%-7.50%
Inflation index	6.3%	5.00%-5.60%

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

In thousands of Kazakhstani Tenge	**Expected closure year**	**2013**	**2012**
South-Topar field	2016	493,047	472,453
Western Kamys	2020	873,164	347,570
Bogach	2024	108,796	109,132
Waste polygons (TMP)	2015	78,639	77,299
Gurlevik	2020	50,083	52,696
Yesymzhal	2025	28,407	28,496
Gornostayevskoye	2026	20,395	16,512
Tuyebay-Syurtysu	2013	10,997	10,997
Aitkokshe	2013	9,939	9,939
Sludge collector reclamation (TMP)	2046	49,085	-
Total		**1,722,552**	**1,125,094**

22 Loans

In thousands of Kazakhstani Tenge	**2013**	**2012**
Non-current portion		
Bonds issued	12,508,182	12,146,758
Sberbank of Russia	9,299,423	8,005,701
MODERNE IND TECHN NEDERLAND BV	1,011,977	-
Other loans	5,106	14,522
Total loans – non-current portion	**22,824,688**	**20,166,981**
Current portion		
Sberbank of Russia	3,675,717	5,134,269
Alliance Bank	2,700,666	3,032,135
Bonds issued	839,565	800,943
Almex Plus	603,400	603,400
Nurbank	-	402,161
RBK Bank	532,363	252,051
Eurasian Bank	-	85,679
Kipros LLP	382,525	-
GTL LLP	2,262,750	-
COAL TRADE Company LLP	103,900	-
Other loans	134,811	176,885
Total loans – current portion	**11,235,697**	**10,487,523**
Total loans	**34,060,385**	**30,654,504**

22 Loans (continued)

Bonds issued

On 3 January 2008, the Group issued bonds in the amount of Tenge 15,000,000 thousand ("Bonds 2008"). The Bonds 2008 shall be repaid after 7 years from the date of issue. Interest rate on Bonds 2008 is floating and is determined as an increase/decrease in consumer price index published by the Statistics Agency of the Republic of Kazakhstan for the last 12 months preceding the month of the corresponding coupon period plus fixed margin of 2%. During 2012, the Group placed Bonds 2008 in the amount of Tenge 1,049,833 thousand and repaid the bonds in the amount of Tenge 1,559,363 thousand (partially using proceeds from placement of Bonds 2012).

In 2012 the Group announced the first bond program for the total amount of Tenge 30,000,000 thousand. On 3 August 2012, coupon bonds of the first issue within this program in the amount of Tenge 6,000,000 thousand ("Bonds 2012") were listed on KASE. Rating agency Expert RA Kazakhstan assigned rating "B+" to Bonds 2012.

Bonds 2012 are unsecured and shall be repaid after 7 years from the date of issue. The interest rate on Bonds 2012 is fixed at 12% in the first year. Starting from the second year, a floating rate is used which determined every 6 months as an increase/decrease in consumer price index published by the Statistics Agency of the Republic of Kazakhstan for the last 12 months preceding the month of the corresponding coupon period plus fixed margin of 2%, but not higher than 14% per annum and not lower than 7% per annum of the nominal value of bonds. Coupon interest on Bonds 2012 is paid on a semi-annual basis.

During 2013, the Group repurchased own Bonds 2012 totaling Tenge 7,010 thousand.

In 2012, the Group placed Bonds 2012 totaling Tenge 1,299,997 thousand.

Sberbank of Russia

On 2 May 2011, TMP and CAICC entered into the credit facility agreements with Sberbank of Russia in the total amount of US Dollar 59,964 thousand for the purpose of refinancing the loan from Development Bank of Kazakhstan, financing of completion of TMP modernisation and replenishment of working capital, including the revolving line of credit in the amount of US Dollar 30,418 thousand available until 3 May 2013.

Originally, the principal amount on long-term loans received under the revolving line of credit was to be paid on a monthly basis, starting from the second year of credit until 3 May 2018. During 2012, TMP and CAICC signed a number of additional agreements, pursuant to which the commencement date for repayment of principal under non-revolving lines of credit at the rate of 10% per annum shall be paid on a monthly basis. The effective interest rate varies from 10.45% to 11.16%. On 24 May 2013 TMP and CAICC signed an additional agreement to merge the debts on bank loans, and, as amended, loans were issued for the period from 25 October 2011 to 3 May 2021 with an effective interest rate of 10.4% per annum.

During the 2013, by assignment agreement with CAICC the loan amount was increased to US Dollar 15,386,985. The carrying amount of the liability under these lines of credit as at 31 December 2013 is Tenge 12,975,140 thousand, including accrued interest of Tenge 9,397 thousand. The lines of credit are secured by property, plant and equipment with a carrying amount of Tenge 10,403,088 thousand.

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 the loan related to financing of TMP modernization, which was terminated on 21 November 2013. The Group carried the amount of interest subsidy to finance costs reduction.

On 22 November 2013 the Group, in accordance with the post-crisis recovery program (recovery of competitive enterprises) entered into agreement with Rehabilitation and Asset Management Company JSC ("RAMC") and Sberbank of Russia, pursuant to which RAMC subsidises interest of 7%. The Group carried the amount of interest subsidy to finance costs reduction.

22 Loans (continued)

MODERNE IND TECHN NEDERLAND BV

On 1 November 2013, the Group signed a loan agreement with MODERNE IND TECHN NEDERLAND BV to the amount of US Dollar 6,500,000 with a maturity of 36 months from the loan amount availability date.

Interest shall be accrued at the fixed rate of 12% per annum, based on the actual number of days elapsed and a year of 365/366 days. Should the Group fail to perform its obligations to pay or repay in due time any amount payable in accordance with the Agreement, an interest shall be accrued to the amount outstanding obligation until the date when the respective payment is actually received by a Lender (excluding the date of payment) at the rate of 20% per annum. Collateral for the loan is not provided.

Alliance Bank

On 28 May 2012, the Group entered into a credit facility agreement with Alliance Bank JSC ("Alliance Bank") to the total amount of Tenge 3,000,000 thousand with a maturity until 28 May 2019 for the purpose of refinancing the loan from Bank Astana-Finance JSC and RBK Bank JSC, replenishment of working capital and modernization of existing production facilities. Interest rate varied from 9.3% to 11.8% per annum depending on maturity of each individual tranche. The line of credit is secured by property of Akmola branch with a total carrying amount of Tenge 1,625,203 thousand (2012: 2,195,260).

During 2013 and 2012, the Group did not comply with certain conditions (covenants) set forth in the agreement for this line of credit, wherefore as at 31 December 2013 Alliance Bank is entitled to require an early repayment of the full amount. Accordingly, as at 31 December 2013 the Group's debt to Alliance Bank under this line of credit was classified as current liabilities, since before the reporting date the Group did not obtain the waiver from Alliance Bank of its right to request an early repayment.

Almex Plus LLP

Debt to Firm Almex Plus LLP ("Almex Plus") represents the debt from 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 interest for acquisition of CAICC. Originally the financial aid was payable on a monthly basis starting from April 2011 until March 2012. This loan was unsecured. The effective interest rate determined at origination of the loan was 13.52% per annum. During 2013 and as of the date of these consolidated financial statements the Group did not repaid this debt.

RBK Bank

Debt to RBK Bank JSC represents the obligations of TEMP acquired by the Group in March 2012 (Note 5), on loans received under the revolving line of credit for working capital replenishment in the total amount of Tenge 250,000 thousand. On 27 June 2013 the Group signed an additional agreement with RBK Bank to increase the credit limit up to Tenge 650,000 thousand, including revolving portion - Tenge 320,000 thousand (interest rate of 13.5% per annum) and non-revolving portion of Tenge 330,000 thousand (interest rate 14% per annum) with maturities of revolving portion until 2 February 2015 and non-revolving portion until 27 December 2014. The amount of principal and interest on loans received under the line of credit is repayable on a monthly basis.

The line of credit is secured by property, plant and equipment and inventories with a carrying amount of Tenge 2,552,777 thousand (2012: Tenge 979,095 thousand).

Kipros LLP

On 9 September 2013 the Group entered into an agreement with Kipros LLP, pursuant to which on 10 September 2013 Kipros LLP granted the Group a short-term interest-free loan in the amount of Tenge 382,525 thousand with a maturity until 30 June 2014. This loan was unsecured.

22 Loans (continued)

GTL LLP

On 11 March 2013 the Group entered into an agreement with GTL LLP, pursuant to which GTL LLP granted the Group a short-term interest-free loan in the amount of Tenge 2,262,750 thousand with a maturity until 31 December 2014 for the purpose of increase of the authorised capital of TEMP. This loan was unsecured.

COAL TRADE Company LLP

On 13 December 2013 the Group entered into a contract with Coal Trade Company LLP to receive funds for use on an interest-free basis, as at 31 December 2013 the amount of debt is Tenge 103,900 thousand.

Nurbank

In 2011, the Group entered into a revolving line of credit agreement with NurBank JSC ("Nurbank") to the total amount of Tenge 85,000 thousand available until 20 February 2013. In 2012, the line of credit was increased up to Tenge 400,000 thousand and the maturity was extended until 29 March 2013. Principal amount of short term loans obtained under the revolving line of credit agreement is payable upon the line of credit maturity; accrued interest at the rate of 16% per annum is payable on a monthly basis. The effective interest rate under this line of credit is 17.5% per annum. The loan was unsecured. In 2013 this loan was repaid in full.

Eurasian Bank

In July 2008, the Group signed a loan agreement with Eurasian Bank for Tenge 637,280 thousand with a maturity until 16 July 2013 to purchase property, plant and equipment. The effective interest rate under this loan is 15% per annum. Interest and principal amount are payable on a monthly basis. The loan is secured by purchased office building with a carrying amount of Tenge 761,169 thousand (Note 19). In 2013 this loan was repaid in full.

The Group's loan maturities are as follows:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Loans with maturity		
- on demand	3,465,448	-
- less than 6 months	3,776,666	9,607,488
- from 6 months to 1 year	3,993,583	880,035
- from 1 year to 3 years	17,191,087	15,758,339
- over 3 years	5,633,601	4,408,642
Total loans	**34,060,385**	**30,654,504**

Loans of the Group are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**2013**	**2012**
US Dollar	13,987,117	15,302,066
Tenge	20,068,162	15,218,679
Russian Rouble	-	114,135
Turkish Lira	5,106	19,624
Total loans	**34,060,385**	**30,654,504**

22 Loans (continued)

The analysis of carrying amount and fair value of loans is as follows:

In thousands of Kazakhstani Tenge	2013 Carrying amount	2013 Fair value	2012 Carrying amount	2012 Fair value
Bonds issued	13,347,747	12,624,671	12,947,701	11,089,984
Sberbank of Russia	12,975,140	12,975,140	13,139,970	13,139,970
Alliance Bank	2,700,666	2,700,666	3,032,135	3,032,135
MODERNE IND TECHN NEDERLAND BV	1,011,977	1,011,977	-	-
Almex Plus	603,400	603,400	603,400	603,400
Nurbank	-	-	402,161	402,161
RBK Bank	532,363	532,363	252,051	252,051
Eurasian Bank	-	-	85,679	85,679
Kipros LLP	382,525	382,525	-	-
GTL LLP	2,262,750	2,262,750	-	-
COAL TRADE Company LLP	103,900	103,900	-	-
Other loans	139,917	139,917	191,407	191,407
Total	**34,060,385**	**33,337,309**	**30,654,504**	**28,796,787**

23 Other Non-Current Liabilities

In thousands of Kazakhstani Tenge	Note	2013	2012
Debt component of preferred shares	20	3,717,908	3,689,195
Non-current payables		2	13,100
Total financial non-current liabilities		*3,717,910*	*3,702,295*
Deferred income on government grants		2,550,605	2,769,228
Obligation on payment of commercial discovery bonus	9	563,607	529,519
Employee benefits obligations		108,126	94,099
Obligation on reimbursement of historical costs	9	56,309	80,743
Total other non-current liabilities		**6,996,557**	**7,175,884**

Deferred income on government grants

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 modernization 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 was determined by an independent professional appraiser in the amount of Tenge 3,279,349 thousand. The Group recognised this government grant as deferred income in the consolidated statement of financial position which is charged to profit and loss over the expected useful life of the main buildings and structures of the plant (15 years) within other operating income (Note 27).

23 Other Non-Current Liabilities (continued)

The Group recognised government grants in deferred income as follows:

In thousands of Kazakhstani Tenge	Note	2013	2012
Deferred income as at 1 January		2,987,851	3,206,474
Depreciation of deferred income, charged to profit and loss for the year	27	(218,623)	(218,623)
Deferred income as at 31 December		**2,769,228**	**2,987,851**
Classified as:			
Long-term		2,550,605	2,769,228
Short-term	24	218,623	218,623

Obligation on payment of commercial discovery bonus

Obligation on payment of commercial discovery bonus relates to the contract for exploration of cobalt-nickel ores at Gornostayevskoye field (Note 9). Following the results of 2011, management concluded that there is a high probability of commercial discovery, and, therefore, as at 31 December 2011 recognised an obligation on payment of commercial discovery bonus in the amount of Tenge 803,405 thousand.

The value of the obligation was determined based on the discounted value of estimated future cash flows required for repayment of the obligation and the expected term of repayment of the obligation. The nominal value of the obligation as at 31 December 2011 estimated by the management was Tenge 922,180 thousand. It is expected that approval by the authorised authority of the volume of recoverable reserves and, accordingly, repayment of the obligation on payment of commercial discovery bonus will take place no sooner than 2015.

In 2012, management of the Company revised the estimated value of the obligation on payment of commercial discovery bonus mainly due to revision of internal assessments of cobalt-nickel ores reserves and current market prices for minerals. The nominal value of the obligation as at 31 December 2012 was determined in the amount of Tenge 610,024 thousand. In 2013, management revised the estimated value of obligations on payment of commercial discovery bonus, mainly due to revision of internal assessments of cobalt-nickel ores reserves and current market prices for minerals. The nominal value of the obligation as at 31 December 2013 was determined in the amount of Tenge 707,040 thousand.

The change in the obligation on payment of commercial discovery bonus is presented below:

In thousands of Kazakhstani Tenge	2013	2012
Carrying amount as at 1 January	529,519	803,405
Unwinding of present value discount	32,029	33,181
Change in estimates due to change in discount rate	(75,072)	(36,105)
Other changes in estimates	77,131	(270,962)
Carrying amount as at 31 December	**563,607**	**529,519**

The discount rate used to determine the present value of the obligation as at 31 December 2013 totaled 4.37% per annum (2012: 4.83% per annum).

Obligations on reimbursement of historical costs

Obligations on reimbursement of historical costs as at 31 December 2012 included the obligations under subsurface use contracts for Gornostayevskoye field in the amount of Tenge 80,743 thousand.

The value of the obligation was determined based on the present value of future cash flows required for repayment of the obligation and the forecasted repayment schedule prepared by management based on its best available estimates of future production data that define the expected term of repayment of obligations.

23 Other Non-Current Liabilities (continued)

The change in the obligation on reimbursement of historical costs is presented below:

In thousands of Kazakhstani Tenge		2013	2012
Carrying amount as at 1 January		80,743	328,136
Accrual / (writing off) for the year			(12,062)
Unwinding of present value discount:			
- continuing operations	33	5,525	5,373
- discontinued operations		-	28,143
Change in estimate due to change in discount rate		(22,792)	(5,459)
Other changes in estimates		(7,167)	(4,249)
Transfer to disposal group		-	(259,139)
Carrying amount as at 31 December		**56,309**	**80,743**

The discount rate used to determine the present value of the obligation as at 31 December 2013 totaled 7.2% per annum (2011: 7.5% per annum).

In connection with the Group's decision not to extend the term of the subsurface use contract on Tyuebay-Syurtysu area and to cease operations of Saryarka Mining (Note 1), the Group derecognised the obligation on reimbursement of historical costs and wrote-off related exploration and evaluation assets in 2012 (Note 9).

24 Payables

In thousands of Kazakhstani Tenge	Note	2013	2012
Debt to suppliers and contractors		3,988,748	2,228,083
Debt on dividends on preferred shares		196,319	194,596
Other financial payables		854,083	579,797
Total financial payables		*5,039,150*	*3,002,476*
Advances received		2,696,862	850,139
Accrued provisions for unused leaves		288,564	342,661
Salaries and pension contributions payable		334,017	324,735
Provisions for uncertain tax positions		303,474	303,474
Taxes payable		194,582	224,889
Deferred income on government grants	23	218,623	218,623
Site restoration provision	21	20,936	20,936
Other payables		190,556	101,898
Total payables		**9,286,764**	**5,389,831**

Financial payables of the Group are denominated in the following currencies:

In thousands of Kazakhstani Tenge	2013	2012
Tenge	4,504,265	2,791,943
Russian Rouble	163,796	105,487
US Dollar	241,602	53,741
Turkish Lira	129,487	32,544
Pound Sterling	-	12,563
Euro	-	6,198
Total financial payables	**5,039,150**	**3,002,476**

25 Revenue

In thousands of Kazakhstani Tenge	**2013**	**2012**
Ferroalloys	7,441,015	11,278,690
Calcium carbide	2,204,951	2,508,477
Limestone	978,990	775,303
Scrap metal	151,112	732,285
Other	711,115	401,915
Total revenue	**11,487,183**	**15,696,670**

26 Cost of Sales

In thousands of Kazakhstani Tenge	**Note**	**2013**	**2012**
Raw and other materials		3,466,337	6,353,756
Electricity		3,266,845	4,237,274
Depreciation of property, plant and equipment		2,026,180	2,309,208
Salary and related costs		1,863,880	1,779,192
Impairment of property, plant and equipment and intangible assets	8, 11	4,177,675	451,416
Scrap		57,169	255,502
Transportation		-	50,229
Rent		75,302	43,634
Taxes		41,867	34,792
Stripping costs		-	21,477
Provision for write-down of inventories to net realisable value		(93,529)	-
Provision for impairment of inventories	15	-	18,118
Other		456,780	890,988
Total cost of sales		**15,338,506**	**16,445,586**

27 Other Operating Income

In thousands of Kazakhstani Tenge	**Note**	**2013**	**2012**
Income from sale of interest in associate		444,648	42,030
Income from sale of investments	12	339,757	-
Income on government grants	23	218,623	218,623
Income less losses from exchange rate difference		-	104,212
Income from writing off of liabilities		-	234,041
Income less losses from disposal of property, plant and equipment		13,581	39,612
Income from sale of other materials	12	-	229,309
Rental income		54,332	-
Other		59,724	65,139
Total other operating income		**1,130,665**	**932,966**

28 Exploration and Evaluation Expenses

In thousands of Kazakhstani Tenge	Note	2013	2012
Impairment of exploration and evaluation assets	9	2,188,795	213,430
Geological and geophysical works		-	33,427
Technological studies		-	9,713
Salary		-	6,819
Depreciation of property, plant and equipment		-	5,941
Ore processing		-	-
Other		-	4,460
Total exploration and evaluation expenses		**2,188,795**	**273,790**

29 General and Administrative Expenses

In thousands of Kazakhstani Tenge	Note	2013	2012
Salary and related costs		1,823,506	1,348,187
Consulting services		242,014	507,197
VAT write-off		382,977	346,695
Depreciation of property, plant and equipment and intangible assets		585,187	236,136
Impairment of property, plant and equipment	8	187,907	98,178
Taxes and levies		226,779	246,252
Security services		262,722	191,454
Sponsorship and other financial aid		75,380	152,357
Materials		436,644	143,806
Travel and representative expenses		61,533	118,918
Bank services		35,617	75,146
Rent		109,839	52,355
Communication services		28,026	35,270
Fines and penalties		132,146	-
Impairment of goodwill	11	-	6,542
Fixed production overheads during idle time		43,551	-
Provision for impairment of receivables		4,730,712	(1,622,301)
Other		1,161,678	518,408
Total general and administrative expenses		**10,526,218**	**2,454,600**

30 Selling Expenses

In thousands of Kazakhstani Tenge	2013	2012
Transportation and logistics services	367,774	523,186
Materials	143,740	115,047
Salary and related costs	78,678	69,428
Other	25,621	65,503
Total selling expenses	**615,813**	**773,164**

31 Other Operating Expenses

In thousands of Kazakhstani Tenge	2013	2012
Loss less income from disposal of property, plant and equipment	805,114	246,009
Impairment of investment property	1,223,581	-
Impairment of other non-current assets	137,137	-
Idle time production costs	-	150,686
Loss less income from exchange difference	30,049	-
Other	340,622	333,933
Total other operating expenses	**2,536,503**	**730,628**

32 Finance Income

In thousands of Kazakhstani Tenge	Note	2013	2012
Unwinding of present value discount on non-current financial assets		279,374	356,176
Income less losses from exchange difference on loans and cash		112,699	82,520
Interest income on bank deposits		1,178	5,311
Income from loans restructuring	22	-	-
Other		11,793	23,483
Total finance income		**405,044**	**467,490**

33 Finance Costs

In thousands of Kazakhstani Tenge	Note	2013	2012
Interest expenses:			
- bonds issued		1,458,708	1,413,455
- bank and other loans		1,788,521	2,335,620
Dividends on preferred shares		390,915	415,415
Losses less gains from exchange difference on loans and cash and cash equivalents		240,707	326,379
Unwinding of present value discount:			
- site restoration provision	21	61,559	42,132
- obligation on payment of commercial discovery bonus	23	32,029	33,181
- obligation for reimbursement of historical costs	23	5,525	5,373
Less: interest on loans reimbursed by DAMU	22	(510,055)	(305,500)
Other		42,399	132,830
Total finance costs		**3,510,308**	**4,398,885**

34 Income Tax

Income tax savings include:

In thousands of Kazakhstani Tenge	2013	2012
Current income tax	(13,495)	(17,234)
Deferred income tax	992,410	1,028,188
Income tax savings	**978,915**	**1,010,954**

Reconciliation between the estimated and the actual income tax savings is presented below:

In thousands of Kazakhstani Tenge	2013	2012
IFRS loss before income tax	**(21,933,414)**	**(2,943,879)**
Estimated income tax savings at the effective rate of 20% (2011: 20%)	4,386,683	588,776
Tax effect of nondeductible or nontaxable items:		
Income from business combinations	-	1,088,352
Reversal / (impairment) of receivables not related to business activities	(1,155,778)	337,359
Change in unrecognised deferred income tax assets	(1,307,762)	(424,757)
Share of losses of associates	(48,033)	(81,223)
Sponsorship	(15,076)	(24,738)
Impairment of investments at cost	(27,427)	(96,400)
Nontaxable income from sale of interests in associates	88,930	-
Impairment of assets of SAT&Co Holding	(448,988)	-
Other nondeductible expenses	(493,634)	(376,415)
Total income tax savings	**978,915**	**1,010,954**

34 Income Tax (continued)

In thousands of Kazakhstani Tenge	1 January 2012	Business combi-nations	Charged to profit and loss	Transfer to disposal group	31 December 2012
Tax effect of deductible temporary differences					
Deferred income on government grants	641,295	-	(43,725)	-	597,570
Tax losses of previous years	313,335	9,342	916,986	(3,310)	1,236,353
Inventories	159,994	15,215	(16,254)	(77,395)	81,560
Site restoration provision	98,356	109,991	53,253	(108,332)	153,268
Exploration and evaluation assets	37,597	-	12,628	-	50,225
Other	31,608	11,296	70,262	(43,911)	69,255
Gross deferred income tax assets	**1,282,185**	**145,844**	**993,150**	**(232,948)**	**2,188,231**
Less offset with liabilities	(1,082,944)	(145,844)	(324,510)	232,948	(1,320,350)
Recognised deferred income tax assets	**199,241**	**-**	**668,640**	**-**	**867,881**
Tax effect of taxable temporary differences					
Property, plant and equipment	4,789,792	1,139,769	(42,711)	(3,474,494)	2,412,356
Intangible assets	-	429,790	(26,306)	-	403,484
Investment property	-	553,222	1,338	-	554,560
Other	68,740	-	-	(6,797)	61,943
Gross deferred income tax liabilities	**4,858,532**	**2,122,781**	**(67,679)**	**(3,481,291)**	**3,432,343**
Less offset with assets	(1,082,944)	(145,844)	(324,510)	232,948	(1,320,350)
Recognised deferred income tax liabilities	**3,775,588**	**1,976,937**	**(392,189)**	**(3,248,343)**	**2,111,993**
Continuing operations			1,028,188		
Discontinued operations			32,641		

34 Income Tax (continued)

In thousands of Kazakhstani Tenge	**31 December 2012**	**Charged to profit and loss**	**31 December 2013**
Tax effect of deductible temporary differences			
Deferred income on government grants	597,570	(43,724)	553,846
Tax losses of previous years	1,236,353	(23,859)	1,212,494
Inventories	81,560	(54,949)	26,611
Site restoration provision	153,268	5,420	158,688
Exploration and evaluation assets	50,225	(26,442)	23,783
Other	69,255	129,351	198,606
Gross deferred income tax assets	**2,188,231**	**(14,203)**	**2,174,028**
Less offset with deferred income tax liabilities	(1,320,350)	245,809	(1,074,541)
Recognised deferred income tax assets	**867,881**	**231,606**	**1,099,487**
Tax effect of deductible temporary differences			
Property, plant and equipment	2,412,356	(695,242)	1,717,114
Intangible assets	403,484	(35,075)	368,409
Investment property	554,560	(244,715)	309,845
Other	61,943	(31,581)	30,362
Gross deferred income tax liabilities	**3,432,343**	**(1,006,613)**	**2,425,730**
Less offset with deferred income tax assets	(1,320,350)	245,809	(1,074,541)
Recognised deferred income tax liabilities	**2,111,993**	**(760,804)**	**1,351,189**
Continuing operations		992,410	

The Group did not recognise deferred tax asses нas at 31 December 2013 totaling Tenge 2,154,333 thousand (as at 31 December 2012: Tenge 846,571 thousand).

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 income 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.

35 Discontinued Operations

Profit (loss) for the year from discontinued operations:

In thousands of Kazakhstani Tenge	**2013**	**2012**
SAT Komir	(815,538)	(114,809)
Shalkiya Zinc Ltd	23,803,878	(932,651)
Total (loss) / profit for the year from discontinued operations	**22,988,340**	**(1,047,460)**

As at 31 December 2013 and 31 December 2012 all assets and liabilities of SAT Komir were included in the disposal group, classified as held for sale (Note 19). Since operations of SAT Komir on production of coal represented a separate major type of the Group's activities, this disposal group is recognised as discontinued operations in these consolidated financial statements.

35 Discontinued Operations (continued)

Analysis of the results of discontinued operations for 2013 and 2012 is presented below:

	2013			2012		
In thousands of Kazakhstani Tenge	**SAT Komir**	**Shalkiya Zinc Ltd**	**Total**	**SAT Komir**	**Shalkiya Zinc Ltd**	**Total**
Income	1,485,419	41,761,000	43,246,419	2,390,782	-	2,390,782
Expenses	(2,300,957)	(21,205,465)	(23,506,422)	(2,507,196)	(959,043)	(3,466,239)
Profit / (loss) before tax from discontinued operations	(815,538)	20,555,535	19,739,997	(116,414)	(959,043)	(1,075,457)
Income tax savings	-	3,248,343	3,248,343	1,605	26,392	27,997
Profit / (loss) for the year from discontinued operations	**(815,538)**	**23,803,878**	**22,988,340**	**(114,809)**	**(932,651)**	**(1,047,460)**

On 8 November 2013, 98.13% holding in Shalkiya Zinc Ltd was sold in KASE public sale to Mr. Kenges Rakishev. The amount of remuneration on this transaction was received in cash.

Below is the calculation of income from disposal and results of discontinued operations of Shalkiya Zink Ltd:

In thousands of Kazakhstani Tenge	**2013**
Total remuneration	41,761,000
Net asset value at the date of disposal	(17,806,597)
Income disposal	**23,954,403**
Loss for the year before the date of disposal	(150,525)
Total income for the year from discontinued operations	**23,803,878**
Shareholders of the Group	23,327,800
Non-controlling shareholders	476,078

Net cash flows from disposal of Shalkiya Zink Ltd:

In thousands of Kazakhstani Tenge	**2013**
Cash remuneration	41,761,000
Less: disposed cash and cash equivalents	(4,481)
Income from disposal	**41,756,519**

35 Discontinued Operations (continued)

Disposed assets and liabilities of Shalkiya Zink Ltd are as follows:

In thousands of Kazakhstani Tenge	
Property, plant and equipment	20,546,364
Other non-current assets	1,143,972
Inventories	9,551
Receivables	5,225
Other current assets	115,079
Cash and cash equivalents	4,481
Total disposed assets	*21,824,672*
Site restoration provision	254,310
Deferred income tax liabilities	3,472,043
Payables	291,721
Total disposed liabilities	*4,018,074*

36 (Loss) / Earnings per Share

Basic earnings/(loss) per share are calculated by dividing the profit or loss attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

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

(Loss) /earnings per share from continuing operations are calculated as follows:

	2013	**2012**
(Loss) / profit for the year from continuing operations attributable to holders of ordinary shares, in thousands of Tenge	(15,920,478)	(1,462,555)
(Loss) / profit for the year from continuing operations attributable to holders of preferred shares, in thousands of Tenge	(5,034,021)	(470,370)
(Loss) / profit for the year from continuing operations, in thousands of Tenge	(20,954,499)	(1,932,925)
Weighted average number of outstanding ordinary shares (in thousands)	1,236,314	1,199,844
Weighted average number of outstanding preferred shares (in thousands)	390,920	385,880
Basic and diluted (loss) / earnings per ordinary share from continuing operations (Tenge per share)	(12.88)	(1.22)
Basic and diluted (loss) / earnings per preferred share from continuing operations (Tenge per share)	(12.88)	(1.22)

36 (Loss) / Earnings per Share (continued)

(Loss) /earnings per share from discontinued operations are calculated as follows:

	2013	2012
(Loss) / profit for the year from discontinued operations attributable to holders of ordinary shares, in thousands of Tenge	17,465,717	(792,565)
(Loss) / profit for the year from discontinued operations attributable to holders of preferred shares, in thousands of Tenge	5,522,623	(254,895)
(Loss) / profit for the year from discontinued operations, in thousands of Tenge	22,988,340	(1,047,460)
Weighted average number of outstanding ordinary shares (in thousands)	1,236,314	1,199,844
Weighted average number of outstanding preferred shares (in thousands)	390,920	385,880
Basic and diluted (loss) / earnings per ordinary share from discontinued operations (Tenge per share)	14.13	(0.66)
Basic and diluted (loss) / earnings per preferred share from discontinued operations (Tenge per share)	14.13	(0.66)

37 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

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

Moreover, mining sector in Kazakhstan is still influenced by political, legislative, tax and regulatory changes. 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 system developments, i.e. circumstances that 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 real sectors of economy significantly deteriorated since mid-2008. In 2012-2013 the Kazakhstani economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, reduced refinancing rates, stability 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 impairment of receivables were determined using the 'incurred loss' model stipulated by the applicable accounting standards. These standards require recognition of losses from impairment of receivables associated with past events and prohibit recognition of losses associated with future events, no matter how likely those future events are. Management performed a test for impairment of certain non-financial assets and investments at cost (Note 4).

Management is unable to predict neither extent, nor duration of changes in the Kazakhstani economy and consequently the 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 growth of the Group's business in the current circumstances.

37 Contingencies, Commitments and Operating Risks (continued)

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 Group may not coincide with that of the management. As a result, certain transactions may be challenged by tax authorities and the Group may be assessed additional taxes, fines and penalties. Tax periods remain open to retroactive review by the tax authorities for five years.

The Group’s management is sure 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 and certain internal transactions related to 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 controllable 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 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 supporting 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 before 31 December 2013 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 in the Russian Tax Code, transactions where prices applied by a taxpayer differ by more than 20% from prices applied in similar transactions by the same taxpayer within a short period of time, as well as 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 performance 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 challenge transfer pricing policies and procedures of the Group, management of the Group believes that it will be able to sustain its position in case if transfer pricing policies and procedures of the Group are challenged by the tax authorities. Therefore, no additional tax obligations were recognised by the Group in these consolidated financial statements.

Legal proceedings

From time to time and in the normal course of business, the Group may have claims. 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.

37 Contingencies, Commitments and Operating Risks (continued)

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 associated with environmental regulations. Once 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. Nevertheless, according to the current interpretation of the existing legislation, management believes that there are no significant liabilities 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 for restoration of lands disturbed in the course of mining operations and retirement of mining equipment after the planned completion of operations at the contractual fields.

Kazakhstani legislation and legal practice are continuously evolving, which may result in varying interpretations of the existing legislation, as well as introduction of new laws and regulations. Management believes that sufficient provisions have been recorded in these consolidated financial statements with respect to obligations for assets recovery and retirement arising from requirements of existing legislation and operations of the Group. However, changes in the legislation or its interpretation, as well as changes in management’s estimates may require the Group to revise its estimates and create an additional provision for assets recovery and 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 historical costs incurred by the state associated with geological information;
- to comply with the requirement for minimal local content in purchased goods and services.

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 state authorities to agree on remediation actions necessary to resolve any issues 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.

37 Contingencies, Commitments and Operating Risks (continued)

Minimum work program

The table below shows minimum volume of capital and geological expenditures that shall be executed during the effective period of subsurface use contracts, as well as an unperformed portion of minimum work program as at 31 December 2013:

Contractual area	Work program term	Minimum volume for the entire period	Unperformed portion of minimum work program as at 31 December 2013	Amount to be executed in 2014
Western Kamys	2001 - 2013	1,660,058	110,823	110,823
Gornostayevskoye	2011 - 2012	582,440	-	-
Tuyebay-Syurtysu	2008 - 2012	235,830	-	-
Total		**2,478,328**	**110,823**	**110,823**

The table below shows minimum volume of production and processing expenditures that shall be executed during the effective period of subsurface use contracts, as well as unperformed portion of minimum work program as at 31 December 2013:

Contractual area	Work program term	Minimum volume for the entire period	Unperformed portion of minimum work program as at 31 December 2013	Amount to be executed in 2014
Kymyskuduk Verkhnesokurskoe	2004 – 2026	11,287,408	7,262,200	605,183
Western Kamys	2001 – 2013	1,064,400	506,797	506,797
Bogach	2005 – 2020	3,500,987	1,210,953	200,215
South-Topar	2001 – 2016	2,851,923	470,968	156,989
Yesymzhal	2003 – 2025	542,412	298,988	93,487
Total		**19,247,130**	**9,749,906**	**1,562,671**

The table below shows the minimum amount of production which shall be executed per year under the terms of Turkish production/exploration licences:

Contractual territory	Period	Minimum volume per year (in tonnes)
Sivas	2012 – 2013	600
Denizli	2012 – 2013	1,450
Total		**2,050**

As at 31 December 2013 the minimum work program performance was as follows:

- *Kumyskuduk Verkhnesokurskoe.* Management believes that the Group fully complies with the minimum work program requirements under this subsurface use contract.
- *Western Kamys.* In accordance with the terms of the subsurface use contract for Western Kamys field, the Group is required to sell the minimum amount of manganese concentrate on an annual basis. As at 31 December 2013 the Group did not comply with this requirement. Management believes that the amount of outstanding obligation as at 31 December 2013 will be carried forward to the future periods appropriately. Management believes that the Group has sufficient funds to perform its contractual obligations in future.
- *South-Topar.* Management believes that the Group fully complies with minimum work program requirements under this subsurface use contract.
- *Bogach.* Management believes that the Group fully complies with minimum work program requirements under this subsurface use contract.

37 Contingencies, Commitments and Operating Risks (continued)

- *Yesymzhal.* Management believes that the Group fully complies with minimum work program requirements under this subsurface use contract.
- *Gornostayevskoye.* The exploration period at Gornostayevskoye field expired on 26 February 2012 (Note 1). At the date of these consolidated financial statements the respective work program for 2014-2017 is being coordinated with the competent authority.
- *Tyuebay-Syurtysu*. Management believes that the Group fully complied with the minimum work program under the subsurface use contract the exploration period of which expired on 8 May 2012.

Social projects obligations

In accordance with the terms of subsurface use contracts, the Group is obliged to finance certain social infrastructure projects on an annual basis. The fulfilment of such obligations may be in the form of cash payments. Obligations represent a fixed amount or 1% of the budgeted operating costs for the year. As at 31 December 2013 there were no contractual obligations for social region development on Gornostayevskoye field due to the fact that the work program for 2013 was being coordinated with the competent authority. Management believes that the Group fully meets the requirements of the minimum work program under other subsurface use contracts.

Training of Kazakhstani personnel

In accordance with the terms of subsurface use contracts, the Group is obliged to finance professional training of Kazakhstani personnel on an annual basis at the amount not less than 0.1%-1.0% of total operating costs approved by the annual minimum work program. As at 31 December 2013 there were no contractual obligations for training of Kazakhstani personnel on Gornostayevskoye field due to the fact that the work program for 2013 was being coordinated with the competent authority. Management believes that the Group fully meets the requirements of the minimum work program under other subsurface use contracts.

Minimum percentage of Kazakhstani content in purchased goods and services

In accordance with the terms of subsurface use contracts, the Group is obliged to purchase certain percentage of total volume of goods and services purchased from Kazakhstani suppliers. As at 31 December 2013 there were no contractual obligations for minimum percentage of Kazakhstani content in purchased goods and services on Gornostayevskoye field due to the fact that the work program for 2013 was being coordinated with the competent authority. Management believes that the Group fully meets the requirements of the minimum work program under other subsurface use contracts.

Capital expenditure commitments

Road construction

In 2011, the Group entered into an agreement with Road Construction Technics for construction of a bypass road of national status. In 2012, the adhesion contract was concluded, according to which Road Construction, a related party of the Group, undertakes the construction of the road.

The Group expected that the road construction will be completed in late 2013, but due to the lack of funding, as at 31 December 2013 the road was not put into operation. In 2013, Tenge 560,237 thousand was spent for the construction of the road. As at 31 December 2013 advances paid for the road construction amounted to Tenge 296,882 thousand. Management of the Group assumes that the road construction is expected to be completed in late 2014.

Plant construction

In 2011, the Group commenced the construction of processing plant, which was scheduled to be completed in late 2013. As part of this project, the Group entered into an agreement with Road Construction Technics, a related party of the Group, for the plant construction. In 2012, an agreement for plant construction was signed with this organization to increase the amount of the agreement to Tenge 2,200,000 thousand.

The Group did not complete the plant construction in 2013 and as at 31 December 2013 the processing plant was not put into operation. In 2013, Tenge 137,423 thousand was spent for the construction of processing plant. As at 31 December 2013 advances paid for the construction of processing plant amounted to Tenge 446,415 thousand. Management of the Group assumes that the construction of the processing plant is expected to be completed in late 2014.

Management believes that the Group will have sufficient funds to fulfil its capital expenditure commitments.

37 Contingencies, Commitments and Operating Risks (continued)

Guarantees

Guarantees represent irrevocable obligations of the Group to make payments in the event of default by the other party. The Group is the guarantor or co-borrower with respect to the following obligations of the related parties:

In thousands of Kazakhstani Tenge	**2013**	**2012**
Alsai LLC LLP	-	12,132,601
Shangri-La-Luxury LLP	643,830	-
Mr. Kenges Rakishev	16,618,056	9,398,591
Shymkent Munai Onimderi JSC	-	2,804,536
Flegont LLP	-	1,000,000
Luxury Rest inc.LLP	404,408	404,408
TOT Mani LLC	3,283,000	272,304

Shangri-La-Luxury LLP

On 11 April 2013, the Group provided a guarantee in respect of the loan to Shangri-La-Luxury LLP ("Shangri-La-Luxury"), a related party of the Group, issued by Alliance Bank totaling Tenge 643,830 thousand.

Mr. Kenges Rakishev

In 2012, the Group entered into an agreement with Tsesnabank as a co-borrower under the line of credit limited to US Dollar 62,900 thousand, obtained by Mr. Kenges Rakishev, the ultimate controlling party of the Company (Note 1). During 2013 an additional agreement was signed to increase the limit of the credit line up to US Dollar 115,000 thousand.

As at 31 December 2013 the amount of principal and accrued interests on loans under this line of credit comprised Tenge 16,618,056 thousand (2012: Tenge 9,398,591 thousand).

Luxury Rest inc. LLP

In 2012, the Group issued a guarantee with respect to the loan of the Group's related party, Luxury Rest inc. LLP ("Luxury Rest inc.") from Alliance Bank to the total amount of Tenge 404,408 thousand with maturity until 12 July 2019.

TOT Mani LLC

In 2012, the Group issued a guarantee with respect to the loan of the Group's related party, TOT Mani LLC ("TOT Mani") from OJSC Alfa-Bank in the amount of Russian Rouble 54,900 thousand. In 2013 the agreement amount was increased to Russian Rouble 700,000 thousand. The guarantee is valid until the complete fulfilment of obligations.

The Group concluded that at the date of these consolidated financial statements there were no indicators that the ultimate controlling shareholder of the Company, Shangri-La-Luxury, Luxury Rest inc. and TOT Mani would not be able to settle their obligations, which may otherwise require the Group to repay the debts of these companies.

Management believes that the fair value of issued guarantees as at 31 December 2013 and 2012 is non-material for these consolidated financial statements.

38 Financial Instruments by Categories

In thousands of Kazakhstani Tenge	Note	2013	2012
Loans and receivables			
Other non-current financial assets	14	67,518	1,313,136
Financial receivables	16	51,764,667	12,258,156
Other current financial assets	17	7,500	-
Cash and cash equivalents	18	333,688	501,688
Total financial assets		**52,173,373**	**14,072,980**
Financial liabilities at amortised cost			
Loans	22	34,060,385	30,654,504
Other non-current financial liabilities	23	3,717,910	3,702,295
Trade and other financial payables	24	5,039,150	3,002,476
Total financial liabilities		**42,817,445**	**37,359,275**

39 Financial Risk Management

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 the policies approved by the Board of Directors of the Company, which provide for principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

(a) Credit risk

The Group is exposed 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 fulfil its 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 exposure.

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.

39 Financial Risk Management (continued)

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

In thousands of Kazakhstani Tenge	**Rating (Moody's)**	**2013**	**2012**
Current financial receivables	None	51,764,667	12,258,156
Non-current financial receivables	None	-	1,268,279
Restricted cash	None	29,806	44,857
Cash and cash equivalents			
Alliance Bank	B3	15,687	360,506
Nurbank	Ba3	8,256	6,592
İş Bankası	Bb	54,714	3,432
Sberbank of Russia	Ba2	23,918	5,466
Halyk Bank	Ba2	23,074	810
ATF Bank	Ba2	8,019	2,118
Eurasian Bank	B1	139,526	2,062
J&T Bank CJSC	None	43,584	63,786
Other	None	6,526	26,743
Total cash on term deposits and current accounts		323,304	471,515
Total maximum exposure to credit risk		**52,117,777**	**14,042,807**

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty when fulfilling its 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.

39 Financial Risk Management (continued)

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

In thousands of Kazakhstani Tenge	**On demand and less than 1 month**	**1-6 months**	**6-12 months**	**1-3 years**	**Over 3 years**
As at 31 December 2013					
Loans	3,465,448	3,776,666	3,993,583	17,191,087	5,985,197
Other non-current liabilities	-	-	392,638	1,177,913	4,319,016
Financial payables	3,988,748	1,050,402	-	-	-
Financial guarantees	20,949,294	-	-	-	-
Total financial liabilities	**28,403,490**	**4,827,068**	**4,386,221**	**18,369,000**	**10,304,213**
As at 31 December 2012					
Loans	3,284,186	9,206,360	2,049,090	18,013,532	5,355,214
Other non-current liabilities	-	-	389,192	1,167,577	4,670,307
Financial payables	1,963,414	1,039,062	-	-	-
Financial guarantees	26,012,440	-	-	-	-
Total financial liabilities	**31,260,040**	**10,245,422**	**2,438,282**	**19,181,109**	**10,025,521**

In the table above the amount of issued financial guarantees is related to the earliest period when these guarantees may be claimed (Note 37).

Management estimates that financial aid given to related parties can be returned in cash within a month in order prevent unexpected liquidity problems.

(c) Market risk

Interest rate risk

Revenues and operating cash flows of the Group are not exposed to changes in market interest rates because interest rates on all loans 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 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 companies.

The Group is exposed to foreign currency risk mainly in respect of loans and debts to suppliers and contractors, 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 18). Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and these instruments are rather expensive, management decided not to hedge the Group's foreign exchange risk, as currently benefits from such instruments do not cover the related costs. Nevertheless, the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

39 Financial Risk Management (continued)

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

In thousands of Kazakhstani Tenge	**US Dollar**	**Euro**	**Russian Rouble**	**Pound Sterling**	**Turkish Lira**	**Total**
As at 31 December 2013						
Assets	1,572,107	-	302,523	-	54,714	1,929,344
Liabilities	(14,228,719)	-	(163,796)	-	(134,593)	(14,527,108)
Net position	**(12,656,612)**	**-**	**138,727**	**-**	**(79,879)**	**(12,597,764)**
As at 31 December 2012						
Assets	3,441,175	8,350	219,177	-	11,099	3,679,801
Liabilities	(15,355,807)	(6,198)	(221,368)	(12,563)	(63,521)	(15,659,457)
Net position	**(11,914,632)**	**2,152**	**(2,191)**	**(12,563)**	**(52,422)**	**(11,979,656)**

At 31 December 2013, if Tenge had weakened by 20% against the US Dollar with all other variables held constant, the profit for the year would have decreased by Tenge 2,531,322 thousand; if Tenge had strengthen by 5% against the US Dollar, the profit for the year would have increased by Tenge 632,831 thousand (31 December 2012: if Tenge had strengthen/weakened by 10% against the US Dollar, the profit for the year would have increased/decreased by Tenge 1,191,463).

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 with respect to capital management are to ensure the Group's ability to continue as a going concern in order to provide profit for shareholders and benefits for other concerned parties, and to maintain an optimal capital structure to reduce the cost of capital. 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 debts.

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 amount of loans (including short-term loans and long-term loans recognised in the consolidated statement of financial position) less cash and cash equivalents. Total amount of capital is defined as "Total equity" recognised in the consolidated statement of financial position plus net debt. In 2013, the Group's strategy was to maintain gearing ratio in the range from 50% to 60%.

In thousands of Kazakhstani Tenge	**Note**	**2013**	**2012**
Total loans	22	34,060,385	30,654,504
Less: cash and cash equivalents	18	(333,688)	(501,688)
Net debt		33,726,697	30,152,816
Total own equity		33,891,044	32,019,815
Total equity		67,617,741	62,172,631
Gearing ratio		**50%**	**48%**

40 Fair Value of Financial Instruments

Fair value measurement

Fair value is determined as the value which can be obtained at the sale of a financial instrument or paid at the transfer of a liability in conducting operations on a voluntary basis between market participants at the measurement date.

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

Financial liabilities carried at amortised cost

The estimated fair value of instruments with fixed interest rate and stated maturity, in respect of which there is no market quotation, is based on estimated cash flows discounted using current interest rates for new instruments with similar credit risk and remaining maturity.

The hierarchy of fair value measurement sources

The Group uses the following hierarchy for determining the fair value of financial instruments broken down by valuation models:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs which have a significant effect on the reflected fair value and other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: methods that use inputs which have a significant effect on the reflected fair value and that are not based on observable market data.

40 Fair Value of Financial Instruments (continued)

Presented below is quantitative information about the hierarchy of fair value measurement sources of assets and liabilities (valuation date: 31 December 2013):

			Fair value measurement using	
In thousands of Kazakhstani Tenge	**Note**	**Total**	**significant observable inputs (Level 2)**	**significant unobservable inputs (Level 3)**
Assets with disclosed fair value				
Financial receivables	**16**			
Temporary financial aid issued to related parties		6,903,518	-	6,903,518
Other temporary financial aid		41,761,000	-	41,761,000
Current portion of debt from LG Chem		1,536,100	-	1,536,100
Debt from purchasers and customers		779,946	-	779,946
Other financial receivables		784,103	-	784,103
Other non-current financial assets	**14**			
Restricted cash		29,806	-	29,806
Other non-current receivables		37,712	-	37,712
Other current financial assets	**17**			
Short-term deposits		7,500	-	7,500
Liabilities with disclosed fair value				
Loans	**22**			
Bonds issued		12,624,671	12,624,671	-
Loan from Sberbank of Russia		12,975,140	-	12,975,140
Loan from MODERNE IND TECHN NEDERLAND BV		1,011,977	-	1,011,977
Loan from Alliance Bank		2,700,666	-	-
Loan from RBK Bank		532,363	-	-
Loan from GTL Company		2,262,750	-	-
Other loans		1,229,742	-	1,229,742
Other non-current financial liabilities	**23**			
Debt component on preferred shares		3,717,908	-	3,717,908
Non-current payables		2	-	2
Trade and other financial payables	**24**			
Payables to suppliers and contractors		3,988,748	-	3,988,748
Dividends payable on preferred shares		196,319	-	196,319
Other financial payables		854,083	-	854,083

41 Subsequent Events

Devaluation of Tenge

On 11 February 2014, the National Bank of the Republic of Kazakhstan decided to decline the maintenance of Tenge exchange rate within the same implicit corridor, reduce the volume of currency interventions and reduce interference in the process of exchange rate formation, which resulted in sharp devaluation of Tenge. Following this date the rate is at the level of Tenge 185 per US Dollar 1 with a fluctuation of +/- 3 (three) Tenge (as at 31 December 2013 the ratio of US Dollar against Tenge corresponded to Tenge 153.61 per US Dollar 1). The National Bank believes that the potential of speculative devaluation expectations will be exhausted when the declared orienting point is achieved.

Subsequently exchange rate changes can occur both in the direction of weakening and strengthening that will be determined by the situation in the global economy.

Loans received

In 2014, the Group increased the amount of loan from Coal Trade Company LLP totaling Tenge 229,934 thousand.

Amount of the loan agreement with MODERNE IND TECHN NEDERLAND BV was increased up to US Dollar 9,000,000.

Personnel reduction

In January 2014, the Group reduced the number of TEMP personnel due to changes in the organizational structure. 616 employees were selected for redundancy.

Establishment of a subsidiary

On 21 April 2014, the Group signed an agreement of accession to the memorandum of BetonLuxAst LLP (hereinafter - the Partnership). The Group's interest will amount to 99.713%, thus the Group obtains control of the Partnership. As a contribution to the authorised capital, assets of Akmola branch will be transferred to the subsidiary. Fair value of assets taken into account at the transfer to the authorised capital, amounted to Tenge 971,679 thousand.

Subsurface use contracts

On 10 April 2014, MINT considered the extension of exploration until 08.05.2014 under the Subsoil use contract in accordance with the approved Prospecting and Evaluation Works Project for ferromanganese ores at Tuyebay-Syurtysu area in Karaganda region with the investment volume for a renewable period of Tenge 182,575 thousand, and recommended the Group extending the exploration period and re-applying to the competent authority for agreement.

By Minutes of the project working committee No. 7 dated 5 March 2014 MINT decided to extend the period of exploration and evaluation of a commercial discovery at Gornostayevskoye field for three years from the date of signing of the respective Addendum No. 7 to the Subsoil use contract, including the Work program for three years. On 16 April 2014, the Group applied to MINT with a request for approval of the Work Program in connection with the extension of the exploration and evaluation period.

Sale of shares of SAT Komir

On 4 February 2014, 100% of shares of SAT Komir (11,315,851 pcs) were transferred to Kazcoal Investments PTE. Ltd, the transaction is registered with Unified Registrar of Securities JSC.