SAMRUK-ENERGY JSC

International Financial Reporting Standards
Consolidated Financial Statements and Independent Auditor's Report

31 December 2012

(Translated from the Russian original)

Contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC Samruk-Energy

We have audited the accompanying consolidated financial statements of JSC Samruk-Energy and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 about 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

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

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
15 March 2013

Approved and signed by:

Zhanbota T. Bekenov
General Director, PricewaterhouseCoopers LLP
(General State License from the Ministry of Finance of the Republic of Kazakhstan
№ 0000005 dated 21 October 1999)

Signed by:

Dana Inkarbekova
Auditor in charge
(Qualified Auditor's Certificate
№ 0000492 dated 18 January 2000)

Our report has been prepared in English and in Russian. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

In thousands of Kazakhstan Tenge	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment	7	200,338,181	164,025,004
Investment property	10	928,061	1,031,179
Intangible assets	8	1,148,248	711,149
Exploration and evaluation asset	9	8,464,970	-
Investments in joint ventures and associates	11	168,230,037	55,703,630
Other non-current assets	12	6,686,058	11,901,377
Total non-current assets		**385,795,555**	**233,372,339**
Current assets			
Inventories	13	7,627,354	10,604,059
Trade and other receivables	14	7,974,882	6,704,174
Other current assets	15	23,535,392	11,294,781
Income tax prepaid		1,661,005	382,415
Cash and cash equivalents	16	94,665,896	49,844,147
Assets of disposal group, classified as held-for-sale	17	320,000	10,126,416
Total current assets		**135,784,529**	**88,955,992**
TOTAL ASSETS		**521,580,084**	**322,328,331**

Signed on behalf of management on 15 March 2013.

Almasadam M. Satkaliev
Chairman of Management Board

Saule B. Tulekova
Head of Finance and Tax Department – Chief Accountant

In thousands of Kazakhstan Tenge	Note	31 December 2012	31 December 2011
EQUITY			
Share capital	18	222,868,957	120,294,884
Other reserves	18	32,824,785	29,471,162
Retained earnings		34,236,867	19,917,339
Equity attributable to the Group's equity holders		**289,930,609**	**169,683,385**
Non-controlling interest		1,998,321	2,142,287
TOTAL EQUITY		**291,928,930**	**171,825,672**
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision	19	121,031	352,350
Employee benefit obligations	20	948,300	889,962
Borrowings	21	155,187,362	83,506,212
Other non-current liabilities	22	7,874,835	7,550,074
Deferred income tax liabilities	31	6,764,948	5,154,614
Total non-current liabilities		**170,896,476**	**97,453,212**
Current liabilities			
Ash dump restoration provision	19	244,059	-
Borrowings	21	14,986,698	16,060,628
Employee benefit obligations	20	52,287	59,025
Provisions for liabilities and charges	23	9,373,056	8,312,179
Trade and other payables	24	32,866,038	27,361,186
Taxes payable and other payables to budget	31	1,094,334	678,769
Income tax payable	31	138,206	448,150
Liabilities of disposal group, classified as held-for-sale	17	-	129,510
Total current liabilities		**58,754,678**	**53,049,447**
TOTAL LIABILITIES		**229,651,154**	**150,502,659**
TOTAL LIABILITIES AND EQUITY		**521,580,084**	**322,328,331**

Signed on behalf of management on 15 March 2013.

Almasadam M. Satkaliev
Chairman of Management Board

Saule B. Tulekova
Head of Finance and Tax Department –
Chief Accountant

In thousands of Kazakhstan Tenge	Note	2012	2011
Revenue	25	94,557,811	85,549,944
Cost of sales	26	(77,064,207)	(68,823,661)
Gross profit		**17,493,604**	**16,726,283**
Distribution costs		(153,180)	(112,733)
General and administrative expenses	28	(6,770,266)	(6,405,338)
Share in profit of joint ventures and associates	11	13,176,583	10,024,877
Finance income	29	1,701,666	834,330
Finance costs	30	(5,300,112)	(5,365,512)
Other income, net	27	1,945,330	1,444,122
Profit before income tax		**22,093,625**	**17,146,029**
Income tax expense	31	(3,522,120)	(2,219,436)
Profit for the period		**18,571,505**	**14,926,593**
Profit for the year from discontinued operations		60,100	-
Other comprehensive income		-	-
Total comprehensive income for the period		**18,631,605**	**14,926,593**
Profit attributable to:			
Equity holders of the Group		18,697,680	14,794,171
Non-controlling interest		(126,175)	132,422
Profit for the period		**18,571,505**	**14,926,593**
Total comprehensive income attributable to:			
Equity holders of the Group		18,757,780	14,794,171
Non-controlling interest		(126,175)	132,422
Total comprehensive income for the period		**18,631,605**	**14,926,593**

In thousands of Kazakhstan Tenge	Note	Attributable to equity holders of the Group Share capital	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2011		**76,715,078**	**26,833,774**	**6,771,848**	**110,320,700**	**1,981,484**	**112,302,184**
Profit for the period		-	-	14,794,171	14,794,171	132,422	14,926,593
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income				14,794,171	14,794,171	132,422	14,926,593
Share issue	18	43,579,806	-	-	43,579,806	-	43,579,806
Result of transactions with shareholders on non-market terms		-	2,637,388	-	2,637,388	-	2,637,388
Changes in ownership interests in subsidiaries		-	-	(19,330)	(19,330)	40,830	21,500
Dividends		-	-	(1,629,350)	(1,629,350)	(12,449)	(1,641,799)
Balance at 31 December 2011		**120,294,884**	**29,471,162**	**19,917,339**	**169,683,385**	**2,142,287**	**171,825,672**
Balance at 1 January 2012		**120,294,884**	**29,471,162**	**19,917,339**	**169,683,385**	**2,142,287**	**171,825,672**
Profit for the period		-	-	18,757,780	18,757,780	(126,175)	18,631,605
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	18,757,780	18,757,780	(126,175)	18,631,605
Share issue	18	102,574,073	-	-	102,574,073	-	102,574,073
Result of transactions with shareholders	18	-	3,353,623	-	3,353,623	-	3,353,623
Dividends		-	-	(4,438,252)	(4,438,252)	(17,791)	(4,456,043)
Balance at 31 December 2012		**222,868,957**	**32,824,785**	**34,236,867**	**289,930,609**	**1,998,321**	**291,928,930**

In thousands of Kazakhstan Tenge	Note	2012 г.	2011 г.
Cash flows from operating activities			
Profit before income tax		22,093,625	17,146,029
Adjustments for:			
Impairment of property, plant and equipment	7	316,109	366,237
Depreciation and amortisation		8,529,572	6,894,402
Losses on disposal of property, plant and equipment		239,239	900,214
Gain on sale of assets held for sale		-	(6,969)
Reversal of provision for impairment of trade and other receivables		(374,944)	(88,711)
Reversal of provision for impairment of other non-current assets		-	(85,000)
Charge /(reversal) of provision on obsolete and slow-moving inventories		249,877	(13,348)
Amortisation of income from connection of additional capacities		(539,121)	(537,262)
Unrealised foreign exchange gains less losses		-	122,133
Losses on write-off of housing expenses		272,000	-
Current service cost and actuarial losses on employee benefits		406,006	488,862
Provisions for liabilities and charges		-	67,507
Finance costs	30	5,300,112	5,365,512
Finance income	29	(1,701,666)	(880,562)
Share in profit of joint ventures and associates	11	(13,176,583)	(10,024,877)
Income from assets received free of charge		(200,565)	-
Other adjustments		5,382	-
Other reserves		-	44,372
Recognition of unrecognised employee benefit obligations		-	242,174
Operating cash flows before working capital changes:		**21,419,043**	**20,000,713**
(Increase)/decrease in trade and other receivables and other current assets		(5,361,004)	1,903,577
Decrease/(increase) in inventories		2,976,705	(2,668,139)
Decrease in trade and other payables		3,961,589	4,632,355
Increase in employee benefits payable		51,600	-
Increase in taxes payable		-	12,922
Cash generated from operations		**23,047,933**	**23,881,428**
Income tax paid		(3,291,365)	(2,174,713)
Interest paid		(3,686,802)	(3,333,408)
Dividends received		5,850,808	8,057,326
Net cash from operating activities		**21,920,574**	**26,430,633**
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,108,375)	(54,587,067)
Acquisition of intangible assets		(80,103)	(500,059)
Acquisition of subsidiaries		(9,347,772)	-
Acquisition of share in associates		(1,562,500)	-
Capitalised revenue		3,694,165	6,748
Prepayments for purchase of long-term assets, net		(104,197)	13,192,320
Interest income received		1,189,488	933,613
Proceeds from sale of interest in subsidiary		7,556,910	61,902
Net changes in assets and liabilities of disposal group		-	9,180
Placement of bank deposits		(8,331,572)	(1,737,805)
Loans provided		(7,052,246)	(1,904,503)
Proceeds from loans provided		3,731,129	294,000
Others		180,920	-
Net cash used in investing activities		**(44,234,153)**	**(44,231,671)**
Cash flows from financing activities:			
Proceeds from issue of shares	18	954,008	43,579,806
Proceeds from issue of bonds		74,921,344	-
Proceeds from borrowings		17,170,939	21,171,950
Sale of interest in subsidiaries		-	21,500
Financial aid received from shareholders		-	7,000,000
Repayment of borrowings		(24,095,506)	(10,915,594)
Repayment of financial aid from shareholders		-	(2,381,109)
Repayment of bonds		(500,000)	(700,000)
Dividends paid to shareholders		(4,438,251)	(1,629,350)
Dividends paid to non-controlling interest holders		(110,053)	(12,449)
Proceeds from loans from customers		-	6,896
Repayment of loans from customers		(815,132)	(693,041)
Other receipts attributable to shareholders		3,990,000	-
Others		57,979	-
Net cash from financing activities		**67,135,328**	**55,448,609**
Net increase in cash		**44,821,749**	**37,647,571**
Cash at the beginning of the year	16	49,844,147	14,988,160
Included in the assets of disposal group		-	(2,791,584)
Cash at the period end	16	**94,665,896**	**49,844,147**

1 Samruk-Energy Group and Its Operations

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

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with regulations of the Republic of Kazakhstan. The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholder is Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") (Note 18).

The Company's immediate parent company is Samruk-Kazyna. The Company's ultimate controlling party is the Government of the Republic of Kazakhstan.

Principal activity

The Group's principal activities are production of electricity and heat energy and hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of hydro and heat power stations, and lease of property of power stations.

Principal subsidiaries and joint ventures

The following list shows the entities included in the Group, their respective jurisdictions of incorporation, and the percentage ownership held directly or indirectly by Samruk-Energy JSC (the Group's ownership percentage is in brackets):

Samruk-Energy JSC: a parent entity incorporated in the Republic of Kazakhstan exercising management of subsidiaries and joint ventures.

Alatau Zharyk Company JSC ("AZhC") (100%): an entity incorporated in the Republic of Kazakhstan, transferred to the Group in July 2009 from KazTransGaz, and mainly engaged in electricity transmission and distribution in Almaty and the Almaty region. AZhC owns 100% of share capital of Aktobe Thermal Power Station JSC and 62.62% of share capital of Almaty Power Stations JSC. The remaining share capital in Almaty Power Stations JSC is owned by Samruk-Energy JSC.

Almaty Power Stations JSC ("ALES") (100%): an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Almaty and the Almaty region. The Company owns thermal power stations TPS-1, TPS-2 and TPS-3 and thermal station in Almaty, Kapchagay hydropower station in Almaty region, Kaskad hydropower station in Almaty, as well as support divisions in Almaty.

Aktobe Thermal Power Station JSC ("Aktobe TPS") *(100%)*: an entity incorporated in the Republic of Kazakhstan and mainly engaged in production of electricity, heat energy and hot water in Aktobe city.

KMG-Energy JSC ("KMG-Energy") (100%): The entity is dormant. As at 31 December 2012 this entity was in the process of liquidation.

AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt") (100%): an entity incorporated in the Republic of Kazakhstan and engaged in sale of electricity in Almaty city and region.

Samruk-EnergoStroyService LLP ("SESS") (100%): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2009, is mainly a holding company owning 25% share in the charter capital of TPEP and rendering construction services and services on designing, producing, assembling and repairing power equipment through TPEP. In 2012 the Group's management made the decision to sell its share in TPEP as well as SESS.

TPEP LLP ("TPEP") (25%): an entity incorporated in the Republic of Kazakhstan, and mainly engaged in rendering construction services. The Group acquired a 25% share in the charter capital of TPEP on 23 June 2010. In 2012 the Group's management made the decision to sell its share in TPEP.

1 Samruk-Energy Group and Its Operations (continued)

KazKuat JSC ("KazKuat") (100%): The entity is dormant. As at 31 December 2012 this entity was in the process of liquidation.

Shardara HPS JSC ("Shardara HPS") (100%): An entity incorporated in the Republic of Kazakhstan and engaged in production of electricity on the basis of water resources in the Southern Kazakhstan.

Moinak HPS JSC ("Moinak HPS") (51%): An entity incorporated in the Republic of Kazakhstan, and engaged in production of electricity on hydropower station.

Mangistau Electricity Distribution Company JSC ("MEDC") (78.6%): An entity incorporated in the Republic of Kazakhstan, and engaged in provision of the services on the transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan.

Tegis Munai LLP ("Tegis Munai") (100%): In 2012 the Group acquired Tegis Munai, an entity incorporated in the Republic of Kazakhstan. The purpose of the acquisition was to a obtain contract on exploration of gas field of Tegis Munai in the South Kazakhstan region.

Ekibastuzskaya GRES-1 named after Bulat Nurzhanov ("Ekibastuzskaya GRES-1") (50%): Joint venture with Ekibastuz Holdings B.V., the company owned by Kazakhmys PLC, with equal ownership of 50%:50%, an entity incorporated in the Republic of Kazakhstan. Ekibastuzskaya GRES-1 is a coal-fired power station with installed capacity of 4000 MWtts. Ekibastuzskaya GRES-1 uses mainly coal from Ekibastuz mines - Bogatyr and Severnyi.

Stantciya Ekibastuzskaya GRES-2 JSC ("Ekibastuzskaya GRES-2") (50%): Joint venture with Inter-RAO UES OJSC with equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of coal produced at the coal mines – Bogatyr and Severnyi.

Forum Muider BV («Forum Muider») (50%): Joint venture with United Company RUSAL ("UC RUSAL") with the equal ownership of 50%:50%, incorporated in the Netherlands and holding 100% of charter capital of Bogatyr Komir LLP, Resursenergougol LLC, and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations.

Bogatyr Komir LLP («Bogatyr Komir») (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of power generating coal at coal mines - Bogatyr and Severnyi.

Resursenergougol LLC (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation, and engaged in sale of power generating coal in the Russian Federation.

Uralenergougol LLC (50%): Joint venture with UC RUSAL with the equal ownership of 50%:50%, incorporated in the Russian Federation. In 2011 and in 2012 Uralenergougol LLC had no significant operations.

Zhambylskaya GRES named after T.I. Baturov JSC ("ZhGRES") (50%): Joint venture with Tarazenergo-2005 LLP with the equal ownership of 50%:50%, incorporated in the Republic of Kazakhstan, and engaged in production of electricity and heat energy on the basis of hydrocarbons and its sale in the Southern Kazakhstan.

Bukhtarminskaya HPS JSC ("Bukhtarminskaya HPS") (100%): An entity incorporated in the Republic of Kazakhstan, and the owner of Bukhtarminskaya hydropower station transferred under lease arrangement (Note 4).

Ust-Kamenogorskaya HPS JSC (90%) *and Shulbinskaya HPS JSC* (92.14%) (together referred to as "Hydropower companies"): entities incorporated in the Republic of Kazakhstan, and are the owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of the hydropower stations to concession, these entities are dormant (Note 4).

Samruk Green Energy LLP (100%): An entity incorporated in the Republic of Kazakhstan, established by the Company in 2012 and which will be engaged in development of renewable electricity. The Company is planning to construct wind power stations.

First Wind Turbine LLP (100%) ("FWT"): The Group acquired FWT in 2012, an entity incorporated in the Republic of Kazakhstan. The purpose of acquisition was to obtain license and feasibility study for construction of a wind farm.

Unless otherwise stated, the Group had the same interests in the above-mentioned entities at 31 December 2011.

1 Samruk-Energy Group and Its Operations (continued)

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the Republic of Kazakhstan on Natural Monopolies and Regulated Markets and the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariffs for electricity sold by the energy producing entities are determined in accordance with the Rules for Determination of Tariff and Approval of Cap and Individual Tariffs approved by the Decree of the Government of the Republic of Kazakhstan dated 10 March 2009, and are subject to confirmation and approval by the Ministry of Industry and New Technologies of the Republic of Kazakhstan ("MINT"). The tariffs for heat and electricity supply, transmission and technical distribution services in the grid are determined in accordance with the Pricing Rules on Regulated Markets approved by the Decree of the Government of the Republic of Kazakhstan dated 3 March 2009, and approved by the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies ("ARNM").

The tariff related decisions are significantly exposed to social and political issues. Economic, social and other policies of the Government of the Republic of Kazakhstan may have the significant effect on the Group's operations.

Registered address and place of business

The registered address and place of Company's Head Office is: Block E, 17, Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 3).

Consolidated financial statements

(i) Subsidiaries

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

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

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

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

2 Basis of Preparation and Significant Accounting Policies (continued)

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

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

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

(ii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for as an adjustment to other reserves within equity.

(iii) Purchases and sales of non-controlling interests

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

(iv) Joint ventures

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

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

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

(v) Investment in associates

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

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

2 Basis of Preparation and Significant Accounting Policies (continued)

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

(vi) Disposals of subsidiaries, associates or joint ventures

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

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

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the parent is Tenge.

(ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2012 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 150.74 (31 December 2011: US Dollar = Tenge 148.40). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Financial instruments

(i) Key measurement terms

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

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

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

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

2 Basis of Preparation and Significant Accounting Policies (continued)

Cost is the amount paid by cash or cash equivalents, or the fair value of other consideration given to acquire an asset at the date of acquisition and includes transaction costs. Measurement at cost only applies to investments in equity Instruments that do not have a quoted market price and whose fair value cannot be reliably measured, and in respect of derivative instruments that are linked to such equity instruments that do not have quotations on the open market, and redeemable by such equity instruments.

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

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

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

(ii) Classification of financial assets

Financial assets of the Group include trade and other receivables, loans and cash and cash equivalents. Management determines the classification of its financial assets at initial recognition.

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

(iii) Financial liabilities classification

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

(iv) Initial recognition of financial instruments

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

(v) Derecognition of financial assets

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

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

2 Basis of Preparation and Significant Accounting Policies (continued)

Property, plant and equipment

(i) Recognition and subsequent measurement

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

(ii) Depreciation

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

	Useful lives in years
Buildings and constructions	10-100
Machinery and equipment	5-40
Other	5-20

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

(iii) Impairment

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

Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 25 years.

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.

When the Group acquires a group of assets that does not constitute a business, it allocates the cost of the group between the individual identifiable assets in the group based on their relative fair values at the date of acquisition. The Group accounted for the acquisitions of Tegis Munai (Note 9) and First Wind Turbine (Note 8) as the acquisitions of group of intangible assets rather than businesses. Accordingly, the costs of acquisitions of those entities were allocated to the costs of acquired assets.

2 Basis of Preparation and Significant Accounting Policies (continued)

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through 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 only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

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

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments, including those on expected termination, are charged to the profit or loss for the year on a straight-line basis over the period of the lease.

Inventories

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

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

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

2 Basis of Preparation and Significant Accounting Policies (continued)

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

Prepaid taxes are stated at actual amounts paid less impairment provision.

Cash and cash equivalents

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

Non-current assets held for sale and disposal groups

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

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

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

Share capital

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

Dividends

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

2 Basis of Preparation and Significant Accounting Policies (continued)

Value added tax

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

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.

Ash dump restoration provision

Ash dump restoration provision is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump restoration costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated restoration costs are added to the cost of an item of property plant and equipment when incurred in the accounting period when the obligation arising from the related waste occurs based on the net present value of estimated future costs. Ash dump restoration provision does not include any additional obligations which are expected to arise from current or future disturbance. The costs are estimated on the basis of a restoration plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting restoration of waste polygons.

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

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. 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 cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit and loss for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of defined benefit obligations are recognised in profit and loss for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

2 Basis of Preparation and Significant Accounting Policies (continued)

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. For those employees, not covered by Collective Labour Agreement payments, 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.

Borrowings

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

Trade and other payables

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

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

Revenue recognition

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from electricity transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by MINT and ARNM.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

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

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

2 Basis of Preparation and Significant Accounting Policies (continued)

Exploration and evaluation assets

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

(i) Recognition and subsequent measurement

Exploration and evaluation includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These assets are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Exploration and evaluation assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

Acquisition costs include the cost of the subscription bonus and other costs incurred to acquire subsurface rights.

Administrative expenses (office rent, office motor vehicles, administrative personnel) that are not directly attributable to the exploration and evaluation activities are expensed as incurred.

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

(ii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the 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.

Impairment testing for evaluation assets is generally undertaken upon the existence of one or more of the following facts and circumstances (the list is not exhaustive):

- the period for which the Group entity 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 and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

2 Basis of Preparation and Significant Accounting Policies (continued)

Offsetting

A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

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

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

Segment reporting

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

Income taxes

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

Current tax is the amount expected to be paid to or recovered from the 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 exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. 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 are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs are 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 ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (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) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2 Basis of Preparation and Significant Accounting Policies (continued)

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

(a) Dividends received from joint ventures

Management made an assessment and concluded that presentation of dividends received from joint ventures as part of operating activity within consolidated statement of cash flows most appropriately discloses the nature of operations as the Company, together with other venturer, is actively involved in day to day operations of the joint ventures. The reclassifications in the consolidated statement of cash flows had no impact on information in notes. The effect of reclassifications for presentation purposes was as follows as at 31 December 2012:

In thousands of Kazakhstan Tenge	As originally presented	Reclassification	As reclassified for the year ended 31 December 2011
Cash flows from operating activities			
- Dividends received from joint ventures	-	8,057,326	8,057,326
Cash flows from investing activities			
- Dividends received from joint ventures	8,057,326	(8,057,326)	-

(b) Advances to suppliers

In 2011 the Group recorded the total advances to suppliers in trade and other receivables. In 2012 management revised its approach to presenting such information and included advances to suppliers in other current assets. The comparative data have been restated accordingly. The restatement is presented below.

In thousands of Kazakhstan Tenge	Note	As originally presented	Reclassification	As reclassified for the year ended 31 December 2011
Other current assets	13	9,272,243	2,022,538	11,294,781
Trade and other receivables	12	8,726,712	(2,022,538)	6,704,174

The revised IAS 1 which became effective from 1 January 2009 requires an entity to present a statement of financial position as at the beginning of the earliest comparative period ('opening statement of financial position'), when the entity applies an accounting policy retrospectively or makes a retrospective restatement or when it reclassifies items in its financial statements. Therefore, an entity that makes such a prior period adjustment or reclassification normally presents, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

Management considered whether omitting the opening statements of financial position at 1 January 2011 and related notes would represent a material omission of information. In management's opinion, the omission of the opening statement of financial position and related notes is not material and is therefore permitted. Management considered that materiality of an omission is measured against its ability to influence the economic decisions of the users of the financial statements.

3 New Accounting Pronouncements

The following new standards and interpretations became effective for the Group from 1 January 2012:

"Disclosures—Transfers of Financial Assets" – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. Refer to Note 34.

Other revised standards and interpretations effective for the current period. The amendments to IFRS 1 "First-time adoption of IFRS", relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these consolidated financial statements. The amendment to IAS 12 "Income taxes", which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these consolidated financial statements.

3 New Accounting Pronouncements (continued)

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Group has not early adopted.

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated financial statements.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Group assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated financial statements.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Group assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated financial statements.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

3 New Accounting Pronouncements (continued)

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is currently assessing the impact of the amended standard on its financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard on its financial statements.

Disclosures—Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 "Borrowing costs", retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual consolidated financial statements. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

3 New Accounting Pronouncements (continued)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 1 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards – Government Loans" (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities.

IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Group is currently assessing the impact of the amendments on its financial statements.

Other revised standards and interpretations: IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine", considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Group's consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

Impairment of non-financial assets

At the end of each reporting period management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. 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 the management's estimates and judgments which are deemed appropriate under the current circumstances.

At 31 December 2012 and 31 December 2011 the management reviewed property, plant and equipment for existence of impairment indicators and concluded that there are no any impairment indicators at these dates.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Accounting for investment property

On 26 June 1997, Bukhtarminskaya GES signed an agreement with Kazastur Zinc AG ("the Lessee"), whereby the property complex of Bukhtarminskaya GES was transferred to concession for the period of 10 years. In accordance with concession agreement, the lease payment is US dollar 1,100 thousand. Subsequently, the concession period was revised, and is now of 25 years from the agreement signing date.

According to the terms of concession agreement, the Lessee should perform the reconstruction and technical renovation of the station within the investment program agreed with Bukhtarminskaya GES. All property, plant and equipment, including separable and non-separable improvements of leased property are owned by Bukhtarminskaya GES.

On 7 December 2007, Bukhtarminskaya GES and the Lessee signed the additional agreement to the concession agreement, whereby the annual lease payment was increased to US dollar 8,500 thousand plus an additional floating charge determined on the basis of the Lessee's income from rendering services on maintenance of capacity reserves.

The leased property is used mainly to satisfy the Lessee's electricity needs rather than for sale to the residents.

The Group's management believes that the concession constitutes an operating lease of the property of hydropower station and recorded this property as an investment property. In particular, the following factors were considered in determination of the type of lease:

- the ownership right for leased property is not transferred to the Lessee;
- the useful life of main facilities of hydropower station exceeds the effective period of concession agreement.

However, the Group's management believes that upon expiration of the concession agreement in 2022, significant investments will be necessary for the reconstruction of the hydropower station to extend its useful life and restore its production potential, and the carrying amount of assets to be returned will be insignificant.

The Group has selected the cost less accumulated depreciation and impairment provision model for accounting for investment property. At 1 January 2006, the date of the first time adoption of the IFRS by the predecessor, the cost of investment property was determined based on the deemed cost of leased property, plant and equipment. Deemed cost was determined based on lease payments according to the concession agreement terms effective at that date and using the estimated discount rate as at 1 January 2006.

At 31 December 2012 the carrying amount of investment property is Tenge 928,061 thousand (31 December 2011: Tenge 1,031,179 thousand) (Note 10).

Based on estimation of fair value of investment property (Note 10) at 31 December 2012 the Group did not identify any indication of impairment of investment property (31 December 2011: no indication).

Accounting for property of Hydropower companies

In 1997 the Government of the Republic of Kazakhstan and AES Suntry Power Limited signed the agreement on concession of Hydropower companies assets. According to the concession agreement, the assets of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station were transferred to AES Suntry Power Limited with the right for ownership, usage and disposal for the period of 20 years, which can be extended for the further period of 10 years. Under the agreement terms, the Government of the Republic of Kazakhstan is entitled to an annual fee. AES Suntry Power Limited established the concession companies to manage the concession assets. The concession companies are fully responsible and liable for the property and operations of the hydropower stations from 31 December 1998 and in further periods under the agreement terms.

Upon expiration of the agreement, AES Suntry Power Limited will transfer its interest in the concession companies to the Government of the Republic of Kazakhstan for a consideration of US dollar 1 plus carrying amount of improvements made by AES Suntry Power Limited and the concession companies. Accordingly, AES Suntry Power Limited will transfer the ownership right for the concession companies to the Government of the Republic of Kazakhstan rather than transferring the property to the Hydropower companies.

Thus, the Group's management believes that the concession companies bear all risks and rewards related to the operations of Ust-Kamenogorskaya hydropower station and Shulbinskaya hydropower station. Accordingly, the cost of the property transferred under the concession agreement was not included in these consolidated financial statements.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities. The provisions are made, based on net present values, for ash dumps restoration as soon as the obligation arises from past operations.

The provision for ash dumps restoration is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing restoration standards and methods and rehabilitation techniques. Provisions are estimated based on the current legal and constructive requirements, technologies and prices level. Since the actual restoration costs can differ from the estimates due to the changes in the requirements and interpretation of legislation, technologies, prices and other terms, and such costs will be incurred in the distant future, the carrying amount of the provisions is regularly reviewed and adjusted to track such changes.

The significant judgments used in such estimates include the estimate of discount rate and cash flows. The discount rate is applied to the nominal cost of works to be incurred by the management for site restoration in the future. Accordingly, management's estimates made on the basis of the current prices are increased using expected long-term inflation rate in Kazakhstan (2012: 6%; 2011: 6%) and subsequently, discounted using discount rate. Discount rate reflects the current market estimate of time value of cash as well as liabilities risk not included into the best estimates of costs (2012: 7.64%; 2011: 7.6%).

At 31 December 2012 the carrying amount of the ash dump restoration provision was Tenge 365,090 thousand (31 December 2011: Tenge 352,350 thousand) (Note 19).

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant amount of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. The balance sheet approach for estimation is applied by the Group for measurement of revenue not invoiced to the legal entities at the end of reporting period. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Where the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2012 would be to increase/decrease it by Tenge 810,787 thousand (31 December 2011: increase/decrease by Tenge 666,394 thousand).

5 Segment Information

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

CODM is responsible for decision making on operating activities, assess segment results on the basis of EBITDA, which is calculated as profit/(loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill and provision on bad debt receivables and slow-moving inventories, share of profit/(loss) of associates and effects, related to acquisition, such as excess of fair value of interest in identifiable assets and liabilities over cost of investment and other similar effects. Sequence for identification of EBITDA by Group might be different from sequence used by other companies.

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

The Group is organised on the basis of three main business segments:

- Production of heat power and electricity;
- Transmission and distribution of electricity;
- Sale of electricity.

(b) Performance of operating segments

The CODM evaluates performance of each segment based on a measure of adjusted EBITDA. This measurement basis excludes discontinued operations and the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. The measure also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

5 Segment Information (continued)

In thousands of Kazakhstan Tenge	Production of electric energy and heating energy		Electric energy transmission and distribution		Sale of electric energy		Others		Total	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
External revenues	20,521,089	21,311,327	6,668,874	5,562,105	67,367,848	57,200,709	-	1,475,803	94,557,811	85,549,944
Inter-segment revenue	34,894,968	31,895,102	21,430,605	18,179,220			10,999,658	11,390,804	67,325,231	61,465,126
Total revenue	**55,416,057**	**53,206,429**	**28,099,479**	**23,741,325**	**67,367,848**	**57,200,709**	**10,999,658**	**12,866,607**	**161,883,042**	**147,015,070**
Share in profit of joint ventures	8,882,174	5,905,159	-	-	-	-	4,251,784	3,896,749	13,133,958	9,801,908
Adjusted EBITDA	**21,889,107**	**21,486,882**	**7,361,253**	**3,851,768**	**1,010,902**	**(592,116)**	**2,938,568**	**3,940,635**	**33,199,829**	**28,687,169**
Amortisation	(4,952,925)	(4,253,487)	(3,288,616)	(2,312,075)	(96,045)	(89,622)	(191,986)	(211,506)	(8,529,572)	(6,866,690)
Finance income	300,163	327,131	233,259	335,345	866	5,199	1,167,378	166,655	1,701,666	834,330
Finance expense	(1,106,816)	(1,056,460)	(2,085,738)	(1,872,139)	(52,359)	(64,515)	(2,055,199)	(2,372,398)	(5,300,112)	(5,365,512)
Impairment of assets, net	-	-	56,332	(366,237)	-	-	-	-	56,332	(366,237)
Income from legal claims	922,857	-	-	-	-	-	-	-	922,857	-
Share in profit of associates	42,625	-	-	-	-	-	-	222,969	42,625	222,969
Profit/(loss) before income tax	17,095,011	16,504,066	2,276,490	(363,338)	863,364	(741,054)	1,858,761	1,746,355	22,093,625	17,146,029
Reportable segment assets	281,556,765	131,279,480	137,043,990	122,073,588	6,314,420	5,422,391	131,146,642	55,835,660	556,061,817	314,611,119
Capital expenditure	19,366,437	38,093,233	13,578,232	16,326,507	98,294	122,847	1,065,412	429,176	34,108,375	54,971,763
Reportable segment liabilities	82,678,739	76,039,714	60,057,719	46,975,335	5,669,325	5,417,539	116,288,876	43,841,551	264,694,659	172,274,139

5 Segment Information (continued)

(d) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Total revenues for reportable segments	150,883,384	134,148,463
Revenues from other operations	10,999,658	12,866,607
Total revenue	**161,883,042**	**147,015,070**
Elimination of sales between segments	(67,325,231)	(61,465,126)
Total consolidated revenues	**94,557,811**	**85,549,944**

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Total reportable segment assets	424,915,175	258,775,459
Assets from other operations	131,146,642	187,781,520
Total assets	**556,061,817**	**446,556,979**
Elimination of balances between segments	(34,481,733)	(124,228,648)
Total consolidated assets	**521,580,084**	**322,328,331**

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Total reportable segment liabilities	148,405,783	128,432,588
Liabilities from other operations	116,288,876	43,841,551
Total liabilities	**264,694,659**	**172,274,139**
Elimination of balances between segments	(35,043,505)	(21,771,480)
Total consolidated liabilities	**229,651,154**	**150,502,659**

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 25 (revenue from core activities). Majority of sales of the Group are within Kazakhstan.

(g) Major customers

During the year ended 31 December 2012 and 31 December 2011 there were no customers for which sales of the Group represented 10% or more of the total revenues.

6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. 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 parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. Transactions with the state owned entities are not disclosed when they are entered into in the ordinary course of business with terms consistently applied to all public and private entities i) when they are not individually significant, ii) if the Group's services are provided on the standard terms available for all customers, or iii) where there is no choice of supplier of such services as electricity transmission services, telecommunications and etc.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2012 and 31 December 2011 is detailed below.

6 Balances and Transactions with Related Parties (continued)

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

In thousands of Kazakhstan Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	30,744	202,320	650	-	2,137,131
Cash and cash equivalents	4,288,501	-	17,883	-	-
Other current assets	3,894,416	272,149	305,372	-	-
Borrowings	16,388,446	-	1,385,333	31,554,448	-
Trade and other payables	1,131,957	416,645	180	4,015,110	203,005
Provisions for liabilities and charges	-	-	-	-	7,274,672

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

In thousands of Kazakhstan Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	369,946	4,630,148	1,683	-	-
Cash and cash equivalents	44,258,933		-	-	-
Other current assets	8,678,934	1,315,616	-	-	-
Borrowings	17,733,081		-	32,245,558	-
Trade and other payables	2,148,412	1,551,987	8,111	-	-
Provisions for liabilities and charges	-	-	-	-	7,274,672

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

In thousands of Kazakhstan Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders
Revenue	3,624,537	-	17,408	-
Cost of sales	12,524,857	10,856,242	6,480,194	-
General and administrative expenses	440,649	-	-	30,534
Distribution costs	96,095	-	-	-
Other expenses	327	-	-	-
Other income	2,914	210,000	-	-
Finance costs	895,826	-	283,465	2,358,603
Finance income	1,102,152	-	5,372	-
Loss on foreign exchange	111,885	-	-	-

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

In thousands of Kazakhstan Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders
Revenue	3,089,259	-	-	-
Cost of sales	12,828,379	8,932,810	7,606,782	-
Finance income	330,495	-	-	-
Finance costs	264,134	-	-	2,373,357
Other income	519	-	-	-
Other expense	254	-	-	-

6 Balances and Transactions with Related Parties (continued)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	31 December 2012	31 December 2011
Key management compensation	118,495	96,074
Total key management compensation	**118,495**	**96,074**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2012 include 6 persons (31 December 2011: 5 persons).

7 Property, Plant and Equipment

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

In thousands of Kazakhstan Tenge	Buildings and constructions	Machinery and equipment	Other	Construction in progress	Total
Cost at 1 January 2011	26,048,812	74,249,021	3,388,113	37,753,418	141,439,364
Accumulated depreciation and impairment	(4,932,631)	(18,500,859)	(1,129,273)	-	(24,562,763)
Carrying amount at 1 January 2011	**21,116,181**	**55,748,162**	**2,258,840**	**37,753,418**	**116,876,601**
Additions	400,626	1,773,455	296,126	51,191,967	53,662,174
Capitalised borrowing costs	-	-	-	1,309,589	1,309,589
Transfers	9,341,529	11,383,921	13,193	(20,738,643)	-
Depreciation	(2,198,803)	(4,244,431)	(220,708)	-	(6,663,942)
Disposals	(40,325)	(450,501)	35,363	(487,398)	(942,861)
Transfer to other assets	-	-	-	(216,557)	(216,557)
Carrying amount at 31 December 2011	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Cost at 1 January 2012	38,395,111	84,169,197	3,666,713	68,812,376	195,043,397
Accumulated depreciation and impairment	(9,775,903)	(19,958,591)	(1,283,899)	-	(31,018,393)
Carrying amount at 1 January 2012	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Additions	734,726	4,469,663	674,164	37,662,481	43,541,034
Capitalised borrowing costs	-	-	-	1,512,395	1,512,395
Transfers	32,683,129	35,026,035	614,366	(68,323,530)	-
Depreciation	(2,661,635)	(5,215,201)	(402,807)	-	(8,279,643)
Disposals	(234,276)	(418,550)	(17,048)	-	(669,874)
Transfer to/from other assets	-	294,953	32,656	(118,344)	209,265
Carrying amount at 31 December 2012	**59,141,152**	**98,367,506**	**3,284,145**	**39,545,378**	**200,338,181**
Cost at 31 December 2012	71,500,985	123,417,343	4,883,119	39,545,378	239,346,825
Accumulated depreciation and impairment	(12,359,833)	(25,049,837)	(1,598,974)	-	(39,008,644)
Carrying amount at 31 December 2012	**59,141,152**	**98,367,506**	**3,284,145**	**39,545,378**	**200,338,181**

As at 31 December 2012 the property, plant and equipment with carrying value of Tenge 5,608,719 thousand (31 December 2011: Nil) were pledged as collateral for borrowings received by the Group (ALES) from JSC "Development Bank of Kazakhstan" (Note 21).

7 Property, Plant and Equipment (continued)

As at 31 December 2012 the property, plant and equipment with carrying value of Tenge 5,140,259 thousand (31 December 2011: Tenge 3,455,610 thousand) were pledged as collateral for borrowings received by the Group (Moinak) from JSC "Development Bank of Kazakhstan" (Note 21).

Additions for the year ended 31 December 2012 include capitalized finance costs in the amount of Tenge 1,512,395 thousand (year ended 31 December 2011: Tenge 1,309,589 thousand) (Moinak). For the year ended 31 December 2012 the weighted–average rate for capitalisation of borrowings is 5.12% (2011: 3.37%). Additions to construction in progress also include accrued liability in the amount of Tenge 1,959,620 thousand which is preliminary management estimate of possible reimbursement of incremental expenses of its main contractor on construction of Moinak HPS (Note 32). During 2012 Moinak HPS performed commissioning works and test production of electricity for the power station commissioning. In the course of this period revenue from electricity sale was capitalized within property, plant and equipment.

Moinak HPS includes constructions, equipment and other fixed assets. On 13 December 2012 based on the state acceptance commission Moinak HPS was put into operation and transferred from construction in progress assets into the relevant property, plant and equipment category in the total amount of Tenge 40,010,244 thousand.

Depreciation charge is allocated to the following items of profit and loss for the year:

In thousands of Kazakhstan Tenge	Note	2012	2011
Cost of sales	26	8,080,194	6,414,410
General and administrative expenses	28	184,674	230,075
Other expenses		14,775	19,457
Total depreciation charge		**8,279,643**	**6,663,942**

8 Intangible Assets

In thousands of Kazakhstani Tenge	Licenses	Computer software	Other	Total
Cost at 1 January 2011	47,000	388,148	384	435,532
Accumulated amortisation	(14,236)	(89,236)	(384)	(103,856)
Carrying amount at 1 January 2011	**32,764**	**298,912**	**-**	**331,676**
Additions	40,925	242,425	-	283,350
Disposals	-	(1,346)	-	(1,346)
Transfers	-	216,556	-	216,556
Amortisation charge	(14,229)	(104,858)	-	(119,087)
Carrying amount at 31 December 2011	**59,460**	**651,689**	**-**	**711,149**
Cost at 31 December 2011	87,252	843,350	-	930,602
Accumulated amortisation	(27,792)	(191,661)	-	(219,453)
Carrying amount at 31 December 2011	**59,460**	**651,689**	**-**	**711,149**
Additions	24,234	76,484	490,771	591,489
Disposals	-	(74)	-	(74)
Transfers	21,626	91,713	-	113,339
Amortisation charge	(68,571)	(199,084)	-	(267,655)
Carrying amount at 31 December 2012	**36,749**	**620,728**	**490,771**	**1,148,248**
Cost at 31 December 2012	124,218	1,010,469	490,771	1,625,458
Accumulated amortisation	(87,469)	(389,741)	-	(477,210)
Carrying amount at 31 December 2012	**36,749**	**620,728**	**490,771**	**1,148,248**

8 Intangible Assets (continued)

The Group acquired a local entity First Wind Turbine LLP in December 2012 for Tenge 491 million. The purpose of the acquisition was to obtain the licence and the feasibility study for construction of the first wind turbine power station and other related documents that provide a right to construct wind turbine near Astana. The acquisition of the entity was accounted for as an acquisition of a group of assets (feasibility study and related documents) rather than a business. The acquired license and feasibility study were included into the category "other intangible assets" within intangible assets.

9 Exploration and Evaluation Assets

The Group acquired a local entity, Tegis Munai LLP, in December 2012 for Tenge 8,904,241 thousand (Tenge 8,464,970 thousands is exploration and evaluation asset and remaining is cash and prepayments). That entity had no material operations. The purpose of the acquisition was to obtain a subsoil use license for a gas field located in the South Kazakhstan region held by that entity. The license provides a right for exploration works on a field. The acquisition of the entity was accounted for as an acquisition of a group of assets (subsoil use license) rather than a business. The acquired license was included within exploration and evaluation assets.

10 Investment Property

In thousands of Kazakhstan Tenge	2012	2011
Cost at 1 January	1,497,162	1,497,162
Accumulated depreciation	(465,983)	(362,865)
Carrying amount at 1 January	**1,031,179**	**1,134,297**
Depreciation	(103,118)	(103,118)
Cost at 31 December	1,497,162	1,497,162
Accumulated depreciation	(569,101)	(465,983)
Carrying amount at 31 December	**928,061**	**1,031,179**

Investment property represents the property of Bukhtarminskaya hydropower station transferred under operating lease according to the concession agreement (Note 4).

When the Group acts as a lessor, the future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Within 1 year	1,022,500	1,246,270
Between 1 year and 5 years	4,090,000	4,985,080
Above 5 years	6,000,648	6,854,485
Total future minimum lease payments	**11,113,148**	**13,085,835**

During the year ended 31 December 2012 the Group received income from operating lease of Bukhtarminskaya hydropower station in the amount of Tenge 1,495,019 thousand (2011: Tenge 1,437,871 thousand) (Note 25).

Fair value of the investment property determined as a sum of discounted minimum lease payments, at 31 December 2012 is Tenge 8,331,538 thousand (31 December 2011: Tenge 9,103,456 thousand). For determination of fair value, the Group did not engage an independent appraiser. Fair value of the investment property was determined by discounting future cash flows from lease payments.

11 Investments in Joint Ventures and Associates

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

	Joint ventures			Associates			
In thousands of Kazakhstan Tenge	GRES-2	Forum Muider	ZhGRES	GRES-1	BTES	TPEP	Total
Balance at 1 January 2011	**19,361,205**	**34,341,397**	**-**	**-**	**-**	**33,477**	**53,736,079**
Share in profit for the period	5,905,159	3,896,749	-	-	-	222,969	10,024,877
Dividend received	(1,500,000)	(6,557,326)	-	-	-		(8,057,326)
Balance at 31 December 2011	**23,766,364**	**31,680,820**	**-**	**-**	**-**	**256,446**	**55,703,630**
Balance at 1 January 2012	**23,766,364**	**31,680,820**	**-**	**-**	**-**	**256,446**	**55,703,630**
Additions	-	-	-	101,620,065	4,081,489	-	105,701,554
Share in profit for the period	5,879,732	4,251,784	-	3,002,441	42,626	-	13,176,583
Dividend received	-	(6,095,284)	-	-	-	-	(6,095,284)
Income from discontinued operations	-	-	-	-	-	63,554	63,554
Reclassified as held for sale and assets of disposal group	-	-	-	-	-	(320,000)	(320,000)
Balance at 31 December 2012	**29,646,096**	**29,837,320**	**-**	**104,622,506**	**4,124,115**	**-**	**168,230,037**

The Group has interests in the following jointly controlled entities:

- Ekibastuskaya GRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.
- Ekibastuskaya GRES-1 – 50%. The remaining 50% interest is owned by Kazakhmys PLC (Note 34).
- Forum Muider – 50%. The remaining 50% is owned by UC RUSAL.
- ZhGRES– 50%. Remaning 50% interest is owned by Tarazenergo-2005 LLP. Group's share in ZhGRES was fully impaired in 2007.

The Group has interests in the following associates:

Balkhashskaya TES (25% plus one share): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2008 for construction of Balkhash heat power station. In April 2012 the Group sold 755,691 shares in Balkhashskaya TES JSC to South Korean consortium Samsung C&T Corporation for the total amount of Tenge 7,556,910 thousand representing 75% less one share of the subsidiary's share capital. The consideration received was equal to the carrying amount of the investment in the subsidiary. Accordingly no gain or loss was recognized in these consolidated financial statements. As a result of this sale the interest of Samruk-Energy JSC in the share capital of Balkhashskaya TES JSC became 25% plus one share (Tenge 2,518,989 thousand) and the interest of Samsung C&T Corporation became 75% less one share. Further the owners agreed to increase the share capital of Balkhashskaya TES and the Group contributed Tenge 1,562,500 thousand in cash in capital of the entity.

11 Investments in Joint Ventures and Associates (continued)

Presented below is summarised financial information of joint ventures and associate at 31 December 2012 and 31 December 2011 and for the periods then ended:

In thousands of Kazakhstan Tenge	Ownership	Total assets	Total liabilities	Net assets / (liabilities)	Revenue	Profit for the period
31 December 2012						
Forum Muider	50%	41,924,397	12,087,079	29,837,318	41,013,322	4,251,784
Ekibastuskaya GRES-2	50%	56,980,362	27,334,266	29,646,096	18,097,085	5,879,732
Ekibastuskaya GRES-1	50%	86,695,558	13,720,268	72,975,290	8,458,364	3,002,442
ZhGRES	50%	3,292,014	2,981,385	310,629	6,442,335	-
Balkhashskaya TES	25%	4,183,167	59,052	4,124,115	-	42,625
31 December 2011						
Forum Muider	50%	47,954,822	16,274,004	31,680,818	38,614,391	3,896,749
Ekibastuskaya GRES-2	50%	29,810,922	6,044,558	23,766,364	15,879,087	5,905,159
ZhGRES	50%	1,057,712	1,486,014	(428,302)	2,783,446	125,925
TPEP	25%	1,979,638	1,751,393	228,245	3,347,153	222,969

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 32. Transactions and balances with joint ventures are presented in Note 6.

12 Other Non-current Assets

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Prepayments for non-current assets	3,852,309	8,056,976
Non-current VAT recoverable	2,257,145	3,292,097
Restricted cash	414,718	7,108
Receivables from employees	-	373,526
Other	161,886	177,492
Less: impairment provision	-	(5,822)
Total other non-current assets	**6,686,058**	**11,901,377**

Prepayments for non-current assets

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and fixed assets:

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Reconstruction and expansion of HPP-2	907,248	2,739,680
Construction and reconstruction of substations in Almaty and Almaty region	1,683,909	4,953,936
Construction of Moinak HPS	-	305,963
Construction and reconstruction of substations in Aktau and Mangistau region	-	11,623
Replacement of turbine 3 of Aktobe TES	949,694	-
Other	311,458	45,774
Total prepayments for non-current assets	**3,852,309**	**8,056,976**

12 Other Non-current Assets (continued)

Non-current VAT recoverable

Non-current VAT recoverable represent asset on input VAT recognised as a result of purchase of goods and services at the territory of the Republic of Kazakhstan mainly for the construction of Moinak HPS. The Group's management believes that this amount will be recoverable in full in the future as the construction of Moinak HPS has been completed in December 2012 and the station is put into operation.

13 Inventories

In thousands of Kazakhstan Tenge	**31 December 2012**	**31 December 2011**
Auxiliary production materials	2,367,863	2,174,802
Spare parts	1,890,584	2,339,522
Fuel	3,486,119	5,901,931
Raw materials	128,035	432,478
Other materials	917,743	1,097,935
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,162,990)	(1,342,609)
Total inventories	**7,627,354**	**10,604,059**

14 Trade and Other Receivables

In thousands of Kazakhstan Tenge	**31 December 2012**	**31 December 2011**
Trade receivables	8,154,303	6,226,953
Loan provided to Energosberezhenie PUC	3,281,556	3,281,556
Receivable from Almaty Heat Network JSC	432,650	1,058,982
Other receivables	22,206	44,650
Less: impairment provision	(4,078,079)	(4,446,291)
Total financial receivables	7,812,636	6,165,850
Other receivables	178,293	657,728
Less: impairment provision	(16,047)	(119,404)
Total trade and other receivables	**7,974,882**	**6,704,174**

Loan provided to Energosberezhenie PUC

In 2002 AZhC provided interest-free financial aid to Energosberezhenie Public Utility Company ("Energosberezhenie PUC") in the amount of Tenge 5,229,976 thousand with original maturity on 1 October 2002. As at 31 December 2012 outstanding balance of this financial aid is Tenge 3,281,556 thousand (31 December 2011: Tenge 3,281,556 thousand). In 2004 management concluded that this amount is uncollectible and recorded a provision of 100% of outstanding amount receivable. As at 31 December 2012 the amount of this provision remains unchanged (31 December 2011: unchanged).

Receivable from Almaty Heat Network JSC

This amount represents the outstanding balance of receivable from Almaty Heat Network LLP ("AHN") for property of heating system of Almaty city transferred by the Group as a result of the reorganisation of AZhC conducted in 2007 with the purpose of transfer of heat energy transportation and distribution functions in accordance with instruction of ARNM. AHN is a state owned entity. In 2008 the Group created provision for impairment of receivable from AHN LLP in the amount of Tenge 1,058,982 thousand.

On 15 April 2011 on the basis of the Resolution of the Specialized Interdistrict Economic Court, the Almaty Court ordered AHN to repay to the Group the amount of Tenge 482,663 thousand and penalty in the amount of Tenge 14,480 thousand.

14 Trade and Other Receivables (continued)

On 20 November 2012, the Company and AHN have signed agreement Concerning the Procedure for Enforcement of the Resolution of the Almaty Specialized Interdistrict Economic Court dated 15 April 2012 and additional decisions thereto dated 18 May 2012, pursuant to the decision AHN has recognized the payable in the amount of Tenge 497,143 thousand and, the Group has confirmed unrecorded liability to AHN in the amount of Tenge 64,493 thousand. The final amount of the receivable from AHN is equal to Tenge 432,650 thousand, which will be received before 1 January 2014.

Financial receivables of the Group at 31 December 2012 and 31 December 2011 are denominated in Tenge. Presented below is movement in the Group's provision for impairment of financial receivables:

In thousands of Kazakhstan Tenge	2012	2011
Provision for impairment at 1 January	4,446,291	4,506,359
Provision for impairment charged during the period	279,810	71,876
Reversal of provision during the period	(578,526)	(132,306)
Receivables written off during the period as uncollectible	(69,496)	362
Provision for impairment at 31 December	**4,078,079**	**4,446,291**

Presented below is the analysis of financial receivables by credit quality:

In thousands of Kazakhstan Tenge	2012	2011
Current and not impaired	4,540,841	3,100,537
Total current and not impaired	**4,540,841**	**3,100,537**
Past due but not impaired		
- up to 30 days overdue	2,462,761	551,650
- 30 to 90 days overdue	614,294	451,022
- 90 to 180 days overdue	98,713	-
- 180 days -360 days overdue	71,056	-
Total past due but not impaired	**3,246,824**	**1,002,672**
Total individually impaired (gross)		
- to 90 days overdue	28,246	86,454
- 90 to 180 days overdue	25,136	2,112,416
- 180 to 360 days overdue	62,432	1,028,506
- over 360 days overdue	3,987,236	3,281,556
Total individually impaired	**4,103,050**	**6,508,932**
Less: impairment provision	(4,078,079)	(4,446,291)
Total	**7,812,636**	**6,165,850**

15 Other Current Assets

In thousands of Kazakhstan Tenge	2012	2011
Term deposits	6,752,273	4,181,872
VAT recoverable and prepaid taxes	5,871,814	3,457,667
Restricted cash	3,611,259	-
Dividends receivable	272,149	-
Advances to suppliers	1,729,007	2,022,538
Interest free short-term loans to related parties	2,908,459	1,315,616
Short-term loans to related parties	1,998,750	-
Accrued interest	-	23,088
Interest free loans to 3rd parties	-	294,000
Less: impairment provision	(21,663)	-
Other	413,344	-
Total other current assets	**23,535,392**	**11,294,781**

Restricted cash represents cash received from electricity sale and placed to the pledge account according to the loans agreement with the Development Bank of Kazakhstan and the Development Bank of China in the amount of Tenge 3,611,259 thousand (31 December 2011: nil). Management believes that it will be able to use this cash not only for the repayment of interest on loans, but also for covering its operating expenses. Restricted cash balances are expressed in USD.

Interest-free loans granted to related parties are payable on demand. During 2012 and 2011 the Group has signed three-party agreements with Zhambylskaya GRES and suppliers of fuel, according to which the Group pays for fuel on behalf of Zhambyl GRES during the heating season. Latest three-party agreement was signed on 10 December 2012.

On the date of latest three-party agreement signed on 10 December 2012, the Group signed loan agreement with Zhambylskaya GRES. The loan in the amount of Tenge 1,998,750 thousand is not secured by any collateral. The loan matures on 10 December 2013. The interest is 7% per annum and is paid at the maturity.

Dividends receivable of Tenge 272,149 thousand represents dividends receivable from Forum Muider B.V.

16 Cash and Cash Equivalents

In thousands of Kazakhstan Tenge	2012	2011
Demand deposits	48,797,439	5,526,901
Cash at current bank accounts	45,853,276	44,297,870
Cash on hand	15,181	19,376
Total cash and cash equivalents	**94,665,896**	**49,844,147**

Term deposits and bank deposits have contractual maturity terms less than three months and are receivable on demand.

Cash and cash equivalents balances are denominated in the following currencies:

In thousands of Kazakhstani Tenge	2012	2011
Kazakhstani Tenge	37,414,938	49,824,701
US Dollar	57,247,738	19,146
Other currencies	3,220	300
Total cash and cash equivalents	**94,665,896**	**49,844,147**

During 2012 the Group opened a deposit with the Tcesna Bank JSC in the amount of Tenge 8,012,744 thousand with the interest rate of 6.5% per annum. The maturity on the deposit is one year. In accordance with the contract the Group may withdraw money once in a month up to minimum balance of Tenge 1,150,740 thousand with a minimum credit risk.

17 Non-current Assets Held for Sale and Disposal Groups

Presented below are principal categories of non-current assets held for sale at 31 December 2012 and 31 December 2011:

In thousands of Kazakhstan Tenge	2012	2011
Non-current assets classified as held for sale		
Property, plant and equipment	-	2,762,953
Investment in joint ventures and associates	320,000	-
Cash and cash equivalents	-	2,791,584
Advances paid and other assets	-	250,000
Term deposits	-	4,320,000
Inventories	-	1,635
Intangible assets	-	244
Total non-current assets held for sale	**320,000**	**10,126,416**
Non-current liabilities classified as held for sale		
Deferred tax liabilities	-	128,852
Trade and other payables	-	658
Total non-current liabilities held for sale	**-**	**129,510**

The Group acquired 623,900 ordinary shares of Balkhashskaya TES for the amount of Tenge 6,239,000 thousand in 2011, and almost all the proceeds from sale of the shares were placed in the current bank accounts and term deposits of Balkhashskaya TES. No other significant cash transactions took place in 2011.

In April 2012 the Group sold 755,691 shares in Balkhashskaya TES, representing 75% less one share of the subsidiary's share capital, to South Korean consortium Samsung C&T Corporation for the total amount of Tenge 7,556,910 thousand. As a result of this sale the Group investment in Balkhashskaya TES decreased from 100% to 25% plus one share.

In 2012 the Group's management made a decision to sell its remaining 25% share in TPEP. According to management's estimation total proceeds from sale of shares in TPEP will be not less than Tenge 320 million.

18 Equity

Share capital

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share capital, (thousands of Tenge)
Balance at 1 January 2011		**4,398,514**		**76,715,078**
Payment of unpaid portion of previous issues: 6th issue of shares		-	-	726,720
Payment of unpaid portion of previous issues: 7th issue of shares		-	-	705,394
7th issue of shares (2nd stage)	4 April 2011	247,801	100,000	24,780,100
7th issue of shares (3rd stage)	22 December 2011	394,718	44,000	17,367,592
Balance at 31 December 2011		**5,041,033**		**120,294,884**
Payment of unpaid portion of previous issues: 7th issue of shares (4rd stage)	22 December 2011	21,682	44,000	954,008
8th issue of shares	1 November 2012	355,798	285,612	101,620,065
Balance at 31 December 2012		**5,418,513**		**222,868,957**

18 Equity (continued)

On 17 August 2012, Samruk-Kazyna approved the transfer of its 50 percent participatory interest in Ekibastuzskaya GRES-1, a joint venture with Kazakhmys, to the Company. In exchange the Company placed 355,798 new ordinary shares of the Company with a value of KZT 101,620 million with Samruk-Kazyna (Note 33).

At 31 December 2012, 5,418,513 issued common shares were fully paid (31 December 2011: 5,041,033 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2012		31 December 2011		
	Samruk-Kazyna	Total	Samruk-Kazyna	Kaz-Trans Gaz	Total
Number of paid common shares	5,418,513	5,418,513	4,799,105	241,928	5,041,033
% of ownership	100%	100%	95.22%	4.78%	100%
Total share capital	**222,868,957**	**222,868,957**	**116,362,837**	**3,932,047**	**120,294,884**

Other reserves

In thousands of Kazakhstan Tenge	Merger reserve	Result of transactions with shareholders	Total
Balance at 1 January 2011	**11,445,568**	**15,388,206**	**26,833,774**
Transactions with shareholders	-	2,637,388	**2,637,388**
Balance at 31 December 2011	**11,445,568**	**18,025,594**	**29,471,162**
Transactions with shareholders	-	3,353,623	**3,353,623**
Balance at 31 December 2012	**11,445,568**	**21,379,217**	**32,824,785**

Merger reserve

The merger reserve represents the difference between the carrying amount of net assets of subsidiaries transferred under common control, which also includes value of goodwill recorded by the transferring party, and the consideration for the acquisition of such assets.

Result of transactions with shareholder

In 2012 the Group received property, plant and equipment in the amount of Tenge 3,353,623 thousand from Samruk-Kazyna as a contribution to share capital. As at 31 December 2012 the Company had not issued any new shares in respect of this and the transaction and the additional contribution has been included within other reserves until new shares are placed with Samruk-Kazyna.

In 2011 the Group received a loan of Tenge 7,000,000 thousand from Samruk-Kazyna bearing an interest rate of 2% per annum. To reflect the fact that the loan is at non market terms and was provided by Samruk-Kazyna, acting in the capacity of the principal shareholder, the Group recorded the following amount directly in equity:

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Difference between the fair value of loan at the recognition date and its nominal amount	-	3,296,735
Less: deferred income tax effect	-	(659,347)
Total	**-**	**2,637,388**

18 Equity (continued)

Non-controlling interest

MEDC

In 2011 non-controlling shareholders of MEDC repurchased 19,133 ordinary shares from Group for Tenge 21,500 thousand. Consequently, the Group's interest in the total number of voting shares of MEDC decreased from 79.59% to 78.64%. The Group recognised a loss from transaction with non-controlling interest of Tenge 21,768 thousand, determined as the difference between the amount paid and the carrying amount of the acquired minority interest, directly in equity.

19 Ash Dump Restoration Provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Group entities.

Provided below are movements in ash dump restoration provision:

In thousands of Kazakhstan Tenge	**2012**	**2011**
Carrying amount at 1 January	352,350	362,234
Unwinding of the present value discount	27,508	29,722
Change in estimate due to change in discount rate adjusted against property, plant and equipment	(198)	7,134
Other changes in estimates adjusted against property, plant and equipment	(14,570)	(15,803)
Utilisation of provision	-	(30,937)
Carrying amount at 31 December	**365,090**	**352,350**

In thousands of Kazakhstan Tenge	**31 December 2012**	**31 December 2011**
Short-term portion of ash dump restoration provision	244,059	-
Long-term portion of ash dump restoration provision	121,031	352,350
Total	**365,090**	**352,350**

Ash dump restoration obligation will be settled at the end of useful life of each ash dump varying from 2011 to 2016. Uncertainties in such costs estimates include potential changes in regulatory requirements, alternatives to reclamation of ash dumps and discount and inflation rates.

The amount of provision is estimated as at the reporting date using nominal prices effective as at the date and using forecasted inflation rate for the expected period of operations of ash dump and the discount rate as at the reporting dates.

Presented below are principal assumptions used to assess asset retirement obligations:

	31 December 2012	**31 December 2011**
Discount rate	7.64%	7.60%
Inflation rate	6.00%	6.00%

20 Employee Benefit Obligations

Employee benefit obligations are provided for in accordance with the terms and conditions set forth in the general labour agreements signed by the Group entities.

Changes in employee benefits obligations are as follows:

In thousands of Kazakhstan Tenge	2012	2011
Present value of defined benefit obligations at 1 January	948,987	283,135
Actuarial losses	369,587	414,748
Recognition of previously unrecognised liabilities	-	242,174
Unwinding of the present value discount	47,145	37,626
Current service cost	36,419	74,114
Benefits paid	(401,551)	(102,810)
Present value of defined benefit obligations at 31 December	**1,000,587**	**948,987**

Amounts recognised in the consolidated statement of financial position are as follows:

In thousands of Kazakhstan Tenge	2012	2011
Short-term portion of defined benefit obligations	52,287	59,025
Long-term portion of defined benefit obligations	948,300	889,962
Total	**1,000,587**	**948,987**

Amounts recognised in profit and loss for the period are as follows:

In thousands of Kazakhstan Tenge	2012	2011
Actuarial losses	369,587	414,748
Unwinding of the present value discount	47,145	37,626
Current service cost	36,419	74,114
Expense recognised in profit and loss for the period	**453,151**	**526,488**

Actuarial losses and current service costs are allocated to the Group's profit or loss for the period within general and administrative expenses.

Principal actuarial assumptions used at 31 December 2012 and 31 December 2011 were as follows:

	2012	2011
Discount rate	5.63%-5.82%	4.8%
Annual minimum salary and monthly calculation index increase	7%-8%	7.5%
Average lapse rate:		
- administrative and management personnel	8.96%-22.05%	13.75%
- production personnel	5.04%-10.24%	11.63%

21 Borrowings

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Non-current portion		
Bank term loans	45,923,767	48,237,146
Loan from Samruk-Kazyna	29,089,618	29,647,724
Loans from customers	3,740,046	3,499,257
Bonds issued	76,107,718	1,829,380
Notes payable	326,213	292,705
Total borrowings-non-current portion	**155,187,362**	**83,506,212**
Current portion		
Bank term loans	11,482,622	12,187,869
Bonds issued	991,428	651,206
Loan from Samruk-Kazyna	2,464,830	2,597,834
Loans from customers	47,818	623,719
Total borrowings-current portion	**14,986,698**	**16,060,628**
Total borrowings	**170,174,060**	**99,566,840**

21 Borrowings (continued)

Presented below are carrying amounts of borrowings by the Group entities:

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Samruk-Energy		
Loan from Samruk-Kazyna	31,554,448	32,245,558
Eurobonds	75,118,535	-
Total Samruk-Energy	**106,672,983**	**32,245,558**
AZhC		
Halyk Bank	5,221,048	5,229,005
ATF Bank	-	3,845,568
Loans from customers	3,155,412	3,246,170
Notes payable	326,213	292,705
Total AZhC	**8,702,673**	**12,613,448**
Moinak HPS		
State Development Bank of China	29,612,716	27,917,035
Development Bank of Kazakhstan	16,079,425	8,247,281
Total Moinak HPS	**45,692,141**	**36,164,316**
MEDC		
Bonds issued	1,684,113	2,220,710
Loans from customers	830,513	876,806
Total MEDC	**2,514,626**	**3,097,516**
Almaty Power Station		
VTB Bank Kazakhstan	3,905,482	4,005,314
Kazkommertzbank	1,399,764	2,799,527
Citibank Kazakhstan	690,213	-
Development Bank of Kazakhstan	-	2,814,337
Halyk Bank	-	1,442,458
HSBC Kazakhstan	-	1,624,750
Kazinvestbank	-	1,877,504
Total Almaty Power Station	**5,995,459**	**14,563,890**
Aktobe TES		
BankCentreCredit	299,636	-
Total Aktobe TES	**299,636**	**-**
AlmatyEnergoSbyt		
Alfa Bank	-	622,236
Bonds issued	296,542	259,876
Total AlmatyEnergoSbyt	**296,542**	**882,112**
Total borrowings	**170,174,060**	**99,566,840**

21 Borrowings (continued)

Below table represents carrying amounts and fair values of borrowings.

In thousands of Kazakhstan Tenge	Carrying amounts 2012	2011	Fair values 2012	2011
Bonds	77,185,550	2,480,586	77,250,033	2,480,586
Loans from customers	3,787,864	4,122,976	5,686,270	4,122,976
Borrowings	57,319,985	60,425,015	57,319,985	53,468,307
Notes payable	326,213	292,705	338,360	292,706
Borrowing from Samruk-Kazyna	31,554,448	32,245,558	31,554,448	32,245,558
Total borrowings	**170,174,060**	**99,566,840**	**172,149,096**	**92,610,133**

Samruk-Energy

Samruk-Kazyna

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 48,200,000 thousand for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 7,000,000 thousand for the purpose of financing construction of substation of AZhC. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

Eurobonds

According to the decisions of the Board of Directors dated 7 September 2012 and 6 December 2012 the following parameters of the first Eurobond issue were approved:

- The volume of issue - U.S.$ 500,000,000;
- Form – based on Regulation S;
- Notes due in 5 years

The coupon interest rate is fixed at the rate of 3.75% per annum (effective rate 3.85%). The number and type of bonds issued: 500,000 (five hundred thousand) bonds without security. Nominal value of one bond is USD 1,000 (one thousand). The issue was registered on the Irish Stock Exchange on 20 December 2012 under the number ISIN-XS0868359166.The Kazakhstan Stock Exchange included JSC "Samruk-Energy" in the official register of the category "rated debt securities" on 19 December 2012 under the number ISIN-XS0868359166. The Group issued and placed Eurobonds for the full amount of US Dollars 500,000 thousand.

AZhC

Halyk Bank of Kazakhstan JSC

On 14 April 2009 the Group signed a loan agreement with Halyk Bank of Kazakhstan JSC ("Halyk Bank") for opening of a new credit facility to refinance the outstanding loans in the amount of Tenge 5,198,208 thousand according to the terms of cooperation plan between the Government of the Republic of Kazakhstan, Halyk Bank and Agency for Regulation and Supervision over Financial Market and Financial Organisations of the Republic of Kazakhstan. The agreement envisages interest of 12.5% per annum and repayment of the loan prior to 31 January 2012.

On 1 February 2012 the Group signed an additional agreement with Halyk Bank pursuant to which the maturity of the credit facility was extended to 31 January 2013, and the interest rate was decreased from 12.5% to 11.7% per annum. Subsequently the interest rate was further decreased to 9% per annum based on an additional agreement concluded on 28 April 2012. On 3 January 2013 the loan was fully repaid.

21 Borrowings (continued)

ATF Bank

On 29 June 2011 the Group signed a loan agreement with ATF Bank JSC ("ATF Bank") for opening of a non-renewable credit facility in the amount of Tenge 5,639,301 thousand to reconstruct the power grid in Almaty. Initial term of repayment was 30 November 2011. On 10 November 2011 the Group concluded additional agreement with ATF Bank to extend credit facility terms up to 30 June 2012. The interest rate of this credit facility is 9% (2011: 9%) and payable on a monthly basis. As of 31 December 2012 the Group fully utilized credit facility in the amount of Tenge 5,639,301 thousand. Borrowed funds are to be paid back not later than 29 June 2021 based on the payment schedule specified in each loan agreement. On 29 December 2012 the Company fully repaid the loan.

Notes payable

On 1 August 2005 the Group issued long-term notes in the amount of Tenge 450,358 thousand for Powerfin Holding Investment B.V. ("Powerfin"), and paid back the part of the principal debt in the amount of Tenge 1,200 thousand. The note is interest free and matures not later than 1 August 2015. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%. Interest is paid on a monthly basis.

Loans from customers

In accordance with the decree of the Government of the Republic of Kazakhstan dated on 21 February 2007 the Group received loans from customers for additional electrical capacity through construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest free and are not secured by any collateral. Loans from customers received by the Group are repayable by equal installments within 20 years.

The loans from customers are initially recognized at their fair value applying the discounted cash flow method and using the prevailing market interest rate; subsequently they are carried at amortised cost. Loans from customers on connection of additional capacity as of 31 December 2012 were Tenge 3,155,412 thousand (31 December 2011: Tenge 3,246,170 thousand). The difference between consideration received and its fair value is recognised as deferred income. As of 31 December 2012 deferred income was Tenge 4,815,050 thousand (31 December 2011: Tenge 5,641,505 thousand). Subsequently deferred income is recognised in profit and loss over the useful life of property, plant and equipment. For the year ended 31 December 2012, amortisation of deferred income was Tenge 471,979 thousand (the year ended 31 December 2011: Tenge 470,134 thousand).

In accordance with the Law of the Republic of Kazakhstan No.116-IV dated 29 December 2008 "On Making Changes and Additions to Some Legislative Acts of the Republic of Kazakhstan Concerning Activity of Independent Industry Regulators", certain changes were made to the Law "On Electric Power Industry" effective from 1 January 2009, which excludes the obligation of the consumers of electric energy and heating energy to compensate costs incurred on connection of additional capacities.

Almaty Power Station

Kazkommertsbank

On 8 August 2007 the Group entered into agreement with Kazkommertsbank JSC (the "Kazkommertsbank Credit Facility") for the total amount of Tenge 4,860,000 thousand. The interest is payable on a monthly basis on 12.5% per annum. Repayment of principal is in accordance with the repayment schedule in the contract, which is starting from 2 May 2011 to 29 December 2013. During the year ended 31 December 2012 the Group repaid the borrowing in the amount of Tenge 1,385,333 thousand.

Citibank Kazakhstan

On 5 October 2012 the Group entered into a short-term general purpose loan agreement with Citibank Kazakhstan. Based on the loan agreement the loan is provided to Almaty Power Station with the condition that the cumulative unpaid amount of loan does not exceed Tenge 690,000 thousand. Interest is payable on a monthly basis based on a rate of 5.55% per annum. Each tranche is repayable within three months and interest is payable on a monthly basis.

Halyk Bank

On 16 July 2010 the Group entered into agreement with Halyk Bank. The Group received loan in the total amount of Tenge 1,571,925 thousand for the purpose of acquisition of administrative office and land plot. On 23 April 2012 the Group signed an additional agreement with Halyk Bank pursuant to which the maturity of the credit facility was extended to 23 April 2013, and the interest rate was decreased to 9% per annum. In December 2012 the loan was fully repaid.

21 Borrowings (continued)

Development Bank of Kazakhstan

On 11 April 2008 the Group signed the loan agreement with Development Bank of Kazakhstan JSC ("Development Bank of Kazakhstan") on financing the reconstruction of ventilation cooling towers and ash dumps. Under this loan agreement, the Group received the loan in the amount of Tenge 2,949,150 thousand with maturity on 10 September 2016. Principal amount is repayable by quarterly payments starting from 10 December 2011. Loan agreement bears interest of 12.5% per annum payable on quarterly basis. This loan is secured by HPP-2 complex. In December 2012 the Group fully repaid the outstanding loan.

Kazinvestbank

On 14 November 2011 the Company entered into short-term agreement with Kazinvestbank. In accordance with the agreement the Company is provided with loans in total not exceeding Tenge 2,516,000 thousand. Loan agreement bears interest of 9% per annum payable on a monthly basis. The maturity of each loan does not exceed six months and principal is repayable at the end of the maturity. The loan is secured with cash on current account in the amount of Tenge 2,516,000 thousand. On 15 October 2012 the interest rate was decreased to 8.5% per annum. Subsequently, the Group signed an additional agreement pursuant to which amount of credit line equalled to Tenge 2,500,000 thousand. The maturity of each loan is 90 days. The loan is secured with cash from future contracts with Almatyenergosbyt LLP. In December 2012 the loan was fully repaid.

HSBC Kazakhstan

In 2010 the Group signed the credit line agreement with HSBC Bank Kazakhstan JSC for the total amount of Tenge 2,900,000 thousand with maturity on 28 October 2013 for the purpose of replenishment of the working capital. According to the given contract, the funds will be presented in the form of loans and overdrafts. Interest rates on credit line are as follows: on overdrafts - 5.2% per annum, on loans - vary from 7% to 11% per annum, and are payable on a monthly basis. The maturity of overdrafts shall not exceed the maturity of the credit line; the maturity of loans shall not exceed 12 months. As of 1 January 2012 the outstanding loan amount was Tenge 1,621,938 thousand which was repaid in March-April 2012.

Bank VTB Kazakhstan

On 30 September 2011 the Company signed an agreement on the provision of credit line with Bank VTB Kazakhstan JSC for the term of up to 30 September 2016 in order to compensate the investment expenses incurred before. Interest rate was 9% per annum. Principal is repaid on a semiannual basis in accordance with the repayment schedule, stipulated by the terms of the agreement. Interest is repayable on a monthly basis. The pledge on this credit line is cash to be received in future under contracts between ALES and AZhC, as well as full solidary guarantee of Samruk-Energy. Four loans were received under this credit line for the total amount of Tenge 3,992,490 thousand with a maturity of up to 30 September 2016. On 15 June 2012 the Group signed an additional agreement with Halyk Bank pursuant to which the interest rate was decreased to 8% per annum. During the year ended 31 December 2012 the Group repaid loan in the amount of Tenge 98,333 thousand.

Moinak HPS

Development Bank of Kazakhstan

On 14 May 2005 and 16 January 2008 the Company received loan in the form of two tranches from the Development Bank of Kazakhstan JSC, which is a related party, in the amount of USD 25,000,000 and USD 26,058,000 at the interest rates of 1.15*6MLIBOR+1.15% and 8% per annum, respectively. Loans were provided for 20 years. On 6 December 2012 the Group signed an additional agreement pursuant to which the interest rate was decreased from 8% to 7.55% for the outstanding amount of USD 1,563,053.

On 17 July 2011 the Company signed contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of Tenge 12,285,000 thousand at the interest rate of 12% per annum. The loan is provided for 17 years. On 6 December 2012 the Group signed an additional agreement pursuant to which the interest rate was decreased from 12% to 7.55% for the outstanding amount of Tenge 5,039,547 thousand.

21 Borrowings (continued)

Bank loans are secured by the following funds:

- Governmental guarantee of Ministry of Finance of Republic of Kazakhstan for the amount of US Dollar 25,000,000. Counter-guarantee of second-tier bank for the amount of Tenge 404,726 thousand.
- Construction in progress items in the amount of Tenge 1,293,563 thousand (2011: Tenge 3,193,311 thousand), and also all capitalized expenditures of future periods.
- Property, plant and equipment with carrying amount of Tenge 3,846,696 thousand (2011: Tenge 262,299 thousand).
- 20% of payments to be received from sale of electric energy in future.
- Corporate guarantee of Samruk-Kazyna in the amount of Tenge 12,285,000 thousand.

State Development Bank of China

On 14 June 2006 the Company received credit line from the State Development Bank of China in the amount of USD 200,000,000 at an interest rate of 6MLIBOR+1.2%. The loan was provided for 20 years. The Company used this loan in the amount of USD 196,337,143 for HPS construction for the period from 2006 to 2012, and the remaining amount of USD 3,662,857 will be used in 2013. The loan is secured by the following funds:

- Corporate guarantee of Samruk-Kazyna in the amount of US Dollar 50,000,000.
- 80% of payments to be received from the sale of electric energy in future.

MEDC

Bonds issued

In August 2005 the Company issued and placed second emission of Tenge 500,000 thousand denominated coupon bonds with a discount of Tenge 456 thousand bearing interest at 13% per annum. In November 2006 the Company issued and placed additional Tenge 700,000 thousand denominated coupon bonds with a discount of Tenge 25 thousand bearing interest at 12% per annum. In May 2007 the Company issued and placed Tenge 500,000 thousand denominated coupon bonds with a discount of Tenge 104 thousand bearing interest at 12% per annum.

In February 2008 the Company issued and placed Tenge 800,000 thousand fifth denominated coupon bonds with a discount of Tenge 216 thousand bearing interest at 16% per annum. In 2009 the Company issued and placed Tenge 800,000 thousand denominated coupon bonds of the fifth emission with a discount of Tenge 15,336 thousand bearing interest at 16% per annum.

All bonds were issued without collateral on the Kazakhstan Stock Exchange and were sold to pension funds and various financial organizations.

In September 2010 the Company fully repaid first emission of coupon bonds. In November 2011 the Company fully repaid second emission of coupon bonds. In May 2012 the Company fully repaid third emission of coupon bonds for nominal value and accrued interest, Tenge 500,000 thousands and Tenge 20,229 thousands, respectively.

In 2012 the Company paid interest for bonds holders in amount of Tenge 312,825 thousand.

Loans from customers

The Company received Tenge 51,480 thousand, Tenge 2,094,596 thousand and Tenge 449,820 thousand as the customer contributions in 2009, 2008 and 2007, respectively.

In accordance with the Law of Republic of Kazakhstan #116-IV dated 29 December 2008 effective from 1 January 2009 such practice of customer contributions was discontinued. Therefore, no new finances were obtained since 2009. The finance received in 2009 relates to agreements made before 2009.

During 2012 the Company repaid long term loans in the amount of Tenge 197,859 thousands, according to the repayment schedule. The "unwinding" of present value discount recognized in the same period was Tenge 152,057 thousand.

21 Borrowings (continued)

AlmatyEnergoSbyt

Bonds issued

In September 2008, AlmatyEnergoSbyt placed the coupon bonds with nominal value of Tenge 1 bearing interest of 15% per annum with maturity of 7 years in the amount of Tenge 500,000 thousand with a discount of Tenge 36,102 thousand. In 2009 the Group purchased back 249,250 thousand bonds in the amount of Tenge 269,766 thousand. In April 2010, 16,380 thousand bonds were issued and placed with a premium of Tenge 1,298 thousand. In October 2011 the Company redeemed 100 thousand bonds. During 2012 the company placed 13,372 thousand bonds. As of 31 December 2012 there are 279,402 thousand bonds outstanding each with a nominal par value of Tenge 1 and fixed interest of 15% per annum.

JSC SB Alfa-Bank

On 20 August 2010 the Company signed the credit facility agreement with JSC SB Alfa-Bank. Under this credit facility, during the year ended 31 December 2012 AlmatyEnergoSbyt received the borrowings for total amount of Tenge 3,400,000 thousand. The borrowings were provided for working capital replenishment. The average interest rate is 6.3% per annum. Principal amount and interest are repaid according to the schedule established under the agreement. As of 31 December 2012 short term part of the loan was repaid in full. These borrowings are not secured.

The Group's borrowings mature as follows:

In thousands of Kazakhstan Tenge	**31 December 2012**	**31 December 2011**
Borrowings due:		
- within 1 year	8,494,773	16,060,628
- from 2 to 5 years	80,446,728	7,127,794
- over 5 years	81,232,559	76,378,418
Total borrowings	**170,174,060**	**99,566,840**

The Group's borrowings are denominated in the following currencies:

In thousands of Kazakhstan Tenge	**31 December 2012**	**31 December 2011**
Borrowings denominated in:		
- Tenge	51,191,393	63,402,524
- US Dollars	118,982,667	36,164,316
Total borrowings	**170,174,060**	**99,566,840**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures during the year ended 31 December 2012.

22 Other Non-Current Liabilities

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Deferred income:		
- AZhC	4,815,050	5,641,505
- MEDC	1,731,288	1,798,430
Trade payables	1,057,327	-
Liabilities related to preference shares of subsidiaries	107,737	107,737
Other	163,433	2,402
Total other non-current liabilities	**7,874,835**	**7,550,074**

Deferred income represents a difference between the nominal value of loans from customers received by AZhC and MEDC for construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure (Note 21), and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognized as profit over the useful lives of property, plant and equipment.

Presented below is movement of deferred income:

In thousands of Kazakhstan Tenge	AZhC	MEDC	Total
Balance at 1 January 2011	6,131,398	1,865,545	7,996,943
Change in the carrying amount of loans from customers adjusted against deferred income	3,854	-	3,854
Recognition of income	(493,747)	(67,115)	(560,862)
Balance at 31 December 2011	**5,641,505**	**1,798,430**	**7,439,935**
Balance at 1 January 2012	5,641,505	1,798,430	7,439,935
Change in the carrying amount of loans from customers adjusted against deferred income	(354,476)	-	(354,476)
Recognition of income	(471,979)	(67,142)	(539,121)
Balance at 31 December 2012	**4,815,050**	**1,731,288**	**6,546,338**

23 Provisions for Liabilities and Charges

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Payables to Almaty city Akimat	7,274,672	7,274,672
Provision on claim of a contractor on construction of Moinak HPS	1,959,620	-
Legal claim from Bastau	135,507	1,037,507
Other	3,257	-
Total	**9,373,056**	**8,312,179**

Details of legal claim from Bastau and payables to contractors (Moinak) are disclosed in Note 32.

23 Provisions for Liabilities and Charges (continued)

Payable to Almaty Akimat

On 30 June 2005 AZhC, KazTransGas and Halyk Bank signed an agreement pursuant to which KazTransGas accepted the liability of AZhC to Halyk Bank of Kazakhstan JSC and repaid it in the amount of US dollar 46,600 thousand and Tenge 1,941,568 thousand. In addition, in accordance with the terms of this agreement as collateral of amount payable by AZhC, KazTransGas obtained the right for the property of principal divisions of ALES (Note 1), which was previously pledged to Halyk Bank as collateral for debt of AZhC.

Subsequently KazTransGas released the abovementioned property from pledge and Akimat (local government authority) of Almaty ("Akimat"), being then the owner of AZhC, provided hotel Kazakhstan and hotel Almaty buildings located in Almaty as collateral for the amount payable by AZhC to KazTransGas.

In 2005 KazTransGas held an auction to sell the above mentioned hotel buildings. The transaction was accounted for by KazTransGas as repayment of the equivalent amount of liability of AZhC to KazTransGas. However, no formal agreement regarding repayment of the debt was signed between AZhC, KazTransGas and Akimat.

On 14 August 2008 AZhC and Akimat signed an agreement on the repayment of the debt in amount of Tenge 7,274,672 thousand. According to the repayment schedule debt had to be settled not later than March 2010.

In 2009 Akimat filed a claim to demand from AZhC settlement of debt in the amount of Tenge 7,274,672 thousand (Note 32). At the beginning of 2010, the case was dismissed due to absence of officials from Akimat in the court. Currently, management of the Group and Akimat are in the process of negotiation and legal proceedings in respect to the settlement of the debt in the amount of Tenge 7,274,672 thousand. Management believes that the existing liability is the most probable amount to cover the risk existing at the reporting date.

24 Trade and Other Payables

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Trade payables	25,745,484	22,773,519
Payable to Samruk-Kazyna	3,990,000	-
Dividends payable	25,297	419,485
Other financial payables	277,343	557,285
Total financial payables	**30,038,124**	**23,750,289**
Advances received from suppliers and contractors	1,022,124	1,908,757
Salaries payable	1,101,256	889,671
Accrued provisions for unused vacations	333,464	395,654
Other payables	371,070	416,815
Total trade and other payables	**32,866,038**	**27,361,186**

Trade payables of Tenge 4,024,391 thousand (2011: Tenge 6,413,659 thousand) are denominated in foreign currency, 97% being in US Dollars (31 December 2011: 99%) and 3% in Euro (31 December 2011: 1%).

25 Revenue

In thousands of Kazakhstan Tenge	2012	2011
Sale of electricity	71,366,847	63,262,560
Sale of heat energy	14,028,259	14,175,765
Electricity transmission	6,601,746	5,562,105
Income from lease of investment property	1,495,019	1,437,871
Sale of chemical water	998,811	1,073,711
Other	67,129	37,932
Total revenue	**94,557,811**	**85,549,944**

26 Cost of Sales

In thousands of Kazakhstan Tenge	2012	2011
Fuel	20,598,658	16,746,996
Payroll and related expenses	13,705,988	13,076,988
Cost of purchased electricity	12,582,081	11,728,998
Depreciation of property, plant and equipment and amortisation of intangible assets	8,145,973	6,607,741
Repairing and maintenance	5,542,120	5,224,455
Electricity transmission and other services	3,630,988	4,972,508
Materials	3,026,298	2,534,458
Water supply	1,869,548	1,770,157
Electricity losses on transmission	2,109,355	1,814,889
Taxes other than on income	1,741,657	876,681
Third party services	1,630,847	1,605,230
Rent services	122,035	112,487
Reversal of provision on obsolete and slow-moving inventories	(135,277)	(13,348)
Other	2,493,936	1,765,421
Total cost of sales	**77,064,207**	**68,823,661**

27 Other Income, net

In thousands of Kazakhstan Tenge	2012	2011
Income from legal claims	922,857	-
Reversal of provision on other receivables	563,617	-
Income from connection of additional capacities	471,979	537,262
Income from sale of Inventory	218,414	215,747
Management fee on trust management of Ekibastuzkaya GRES-1	210,000	-
Income from liability write-off	70,364	765,827
Other income	453,299	523,463
Impairment of assets	(507,285)	(366,237)
Loss on disposal of property, plant and equipment	(239,239)	-
Other expenses	(218,676)	(231,940)
Total other income, net	**1,945,330**	**1,444,122**

During the year ended 31 December 2012 the Geologostroy substation was partially destroyed by fire. As a result, an expense of Tenge 316,109 thousand was charged to the loss on impairment of assets.

During the year ended 31 December 2011 Sayabak substation was partially destroyed by fire. As a result, an expense of Tenge 351,140 thousand was charged to the loss on impairment of assets.

In 2011 the Group addressed Almaty Heating Networks LLP (AHN) a counterclaim on the basis of court judgments on claim from Bastau SPUC (Note 32) to demand compensation in the amount of Tenge 1,030,000 thousand, which is related to the direct losses from litigation with Bastau SPUC for the year 2009 and the registration fee in the amount of Tenge 30,900 thousand. On 23 September 2011 specialized Interdistrict Economic Court of Almaty decided to satisfy the claim in full. AlHN appealed, but on 21 November 2011 the appeals panel of judges decided that the judgment decision dated 23 September 2011 should be upheld. In April 2012 AHN fulfilled the court's decision and paid ALES Tenge 1,030,000 thousand (including VAT). This amount has been recognized in other income.

28 General and Administrative Expenses

In thousands of Kazakhstan Tenge	2012	2011
Payroll and related expenses	3,278,887	2,616,851
Consulting and other professional services	677,397	681,312
Taxes other than income tax	458,537	849,007
Depreciation of property, plant and equipment and amortisation of intangible assets	383,599	258,949
Rent expense	284,158	291,311
State duties	232,516	-
Donations and public assistance	184,821	351,487
Business trips and representative expenses	153,404	156,848
Materials	144,167	112,585
Bank charges	128,852	120,590
Communication expenses	84,798	85,545
Repair and maintenance	61,286	89,687
Insurance	34,068	35,984
Security services	32,413	35,741
Transportation	24,895	17,127
Reversal of provision for impairment of trade and other receivables and other current assets	(33,119)	(88,711)
Write off of prepaid expense related to EBRD Loan	-	327,335
Other	639,587	463,690
Total general and administrative expenses	**6,770,266**	**6,405,338**

29 Finance Income

In thousands of Kazakhstan Tenge	2012	2011
Interest income on bank deposits	1,698,368	834,012
Other	3,298	318
Total finance income	**1,701,666**	**834,330**

30 Finance Costs

In thousands of Kazakhstan Tenge	2012	2011
Interest expense on borrowings	1,780,912	2,501,074
Foreign exchange losses less gains	173,839	-
Dividends on preference shares of subsidiaries	155,493	134,724
Unwinding of the present value discount:		
- loans and financial aid from shareholders	2,445,508	1,823,635
- notes payable	36,590	30,053
- employee benefit payable	47,145	37,626
- ash dump restoration provision	27,508	29,722
- loans from customers	585,139	642,179
- bonds issued	40,163	44,623
Other	7,815	121,876
Total finance costs	**5,300,112**	**5,365,512**

31 Taxes

In thousands of Kazakhstan Tenge	2012	2011
Current income tax expense	1,911,786	2,540,139
Deferred income tax expense/(benefit)	1,610,334	(320,703)
Total income tax expense	**3,522,120**	**2,219,436**

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

In thousands of Kazakhstan Tenge	2012	2011
Profit before tax under IFRS	**22,093,625**	**17,146,029**
Theoretical tax expense at statutory rate of 20% (2011: 20%)	4,418,725	3,429,206
Adjustments for:		
Share of profit of joint ventures not subject to income tax	(2,635,317)	(2,004,976)
Non-deductible expenses	262,743	441,528
Adjustment of prior years income tax	709	279,038
Withholding tax	301,373	23,893
Temporary differences that will be recognised upon termination of Investment contract	647,969	-
Changes in unrecognised deferred income tax assets	525,918	50,747
Total income tax expense	**3,522,120**	**2,219,436**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement.

In thousands of Kazakhstan Tenge	1 January 2011	Charged/ (credited) to profit or loss	Credited to equity	31 December 2011
Tax effect of deductible temporary differences				
Tax losses carried forward	2,968,826	1,349,629	-	4,318,455
Employee benefit obligation	56,626	68,313	-	124,939
Trade and other payables	190,705	(19,915)	-	170,790
Inventories	274,275	(4,622)	-	269,653
Trade and other receivables	34,540	(14,641)	-	19,899
Provision for unused vacation	86,071	25,134	-	111,205
Accruals	48,163	(15,647)	-	32,516
Other	54,621	(352)	-	54,269
Gross deferred income tax assets	**3,713,827**	**1,387,899**		**5,101,726**
Less offsetting with deferred income tax liabilities	(3,713,827)	(1,387,899)	-	(5,101,726)
Recognised deferred income tax assets	-	-	-	-
Tax effect of taxable temporary differences				
Property, plant and equipment	(5,030,657)	(1,513,086)	-	(6,543,743)
Borrowings	(3,718,351)	445,890	(440,136)	(3,712,597)
Gross deferred income tax liabilities	**(8,749,008)**	**(1,067,196)**	**(440,136)**	**(10,256,340)**
Less offsetting with deferred income tax assets	3,713,827	1,387,899	-	5,101,726
Recognised deferred income tax liabilities	**5,035,181**	**(320,703)**	**440,136**	**5,154,614**

31 Taxes (continued)

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 2,296,930 thousand (2011: Tenge 821,452 thousand) associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In thousands of Kazakhstan Tenge	1 January 2012	Charged/ (credited) to profit or loss	31 December 2012
Tax effect of deductible temporary differences			
Tax losses carried forward	4,318,455	1,366,378	5,684,833
Employee benefit obligation	124,939	36,235	161,174
Trade and other payables	170,790	(139,854)	30,936
Ash dump restoration provision	32,516	44,230	76,746
Inventories	269,653	(63,509)	206,144
Trade and other receivables	19,899	(1,746)	18,153
Taxes other than income tax	-	5,496	5,496
Provision for unused vacation	111,205	(80,438)	30,767
Other	54,269	(13,136)	41,133
Gross deferred income tax assets	**5,101,726**	**1,153,656**	**6,255,382**
Unrecognised gross deferred income tax assets	-	(525,917)	(525,917)
Less offsetting with deferred income tax liabilities	(5,101,726)	(627,739)	(5,729,465)
Recognised deferred income tax assets	**-**	**-**	**-**
Tax effect of taxable temporary differences			
Property, plant and equipment	(6,543,743)	(2,220,650)	(8,764,393)
Borrowings	(3,712,597)	(363,678)	(4,076,275)
Other	-	346,255	346,255
Gross deferred income tax liabilities	**(10,256,340)**	**(2,238,073)**	**(12,494,413)**
Less offsetting with deferred income tax assets	5,101,726	627,739	5,729,465
Recognised deferred income tax liabilities	**5,154,614**	**1,610,334**	**6,764,948**

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

The Group has unrecognised potential deferred tax assets in respect of unused tax loss carry forwards of Tenge 5,684,833 thousand (2011: Tenge 4,318,455 thousand). The tax loss carry forwards expire as follows:

In thousands of Kazakhstani Tenge	2012	2011
Tax loss carry-forwards expiring by the end of:		
- 31 December 2019	3,912,427	3,912,427
- 31 December 2020	237,888	237,888
- 31 December 2021	168,140	168,140
- 31 December 2022	1,366,833	-
Total tax loss carry forwards	**5,684,833**	**4,318,455**

31 Taxes (continued)

Taxes payable

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Income tax	138,206	448,150
Income tax payable	**138,206**	**448,150**
VAT	416,393	311,270
Individual income tax	191,808	145,252
Environmental taxes	157,383	26,230
Social tax	148,303	57,730
Other taxes	180,447	138,287
Taxes payable other than income tax	**1,094,334**	**678,769**
Total taxes payable	**1,232,540**	**1,126,919**

32 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

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

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

The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the financial, banking and corporate sectors significantly deteriorated since mid-2008. In 2012 the Kazakhstani economy continued to experience a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of Tenge against major foreign currencies, and increased liquidity levels in the banking sector.

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

The Group has the strategic importance for the Republic of Kazakhstan, since it combines the entities of electricity and energy complex providing the population and industrial entities with the electricity. The Government of the Republic of Kazakhstan has adopted the long-term energy sector development program envisaging the construction of new and reconstruction of the current power stations. The management expects that the Group will be supported by the Government of the Republic of Kazakhstan, since the electricity energy sector is the strategically important part of the country's economy.

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

Tax legislation

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

32 Contingencies, Commitments and Operating Risks (continued)

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

Legal proceedings

Bastau SPUC claim

In 2010, Bastau Subsidiary Public Utility Company of Almaty SU Holding State Utility Company ("Bastau SPUC"), providing cold water supply services to AZhK, filed a claim to the court with the requirement on forcing AZhK to apply the Bastau SPUC calculation procedure starting from 1 January 2009 when calculating the cost of services on cold water supply. Bastau SPUC calculation procedure envisages the calculation of cost of services of cold water supply provided to AZhK on the basis of information on the levels of hot water distribution to customers obtained from AHN, to which the Company provides services on chemical processing and heating of cold water, as well as the application of differentiated tariffs of Bastau SPUC established for the respective customers groups. The amount of the Bastau SPUC claim for 2012, disputed by the Company, was Tenge 970,000 thousand, including fine in the amount of Tenge 100,000 thousand. For the similar claim for 2009, AZhK has made payment in 2010 in the amount of Tenge 1,030,000 thousand pursuant to court decision.

Furthermore, Bastau SPUC demanded to force AZhK to provide information and supporting documents on distribution of the consumed water by customer groups for the purposes of calculation of accruals for water supply.

The Group believes that as part of its operations is related to the chemical processing of water and bringing it to hot condition, the Group has no obligations to cover normative and abnormal water losses during its transportation to the point of distribution to the customer, which is the subject of claims initiated by Bastau SPUC. However, similarly to the 2009 court decision, the Group created provision in the amount of Tenge 970,000 thousand for 2010 (Note 23).

In 2011, the Specialised Inter-District Economic Court of Almaty City issued the ruling dated 30 September 2011, which satisfied the Bastau SPUC demand in full. AZhK filed an appeal on this ruling to the Almaty City Court. The Decree dated 2 December 2011 of the Appeal Panel of the Almaty City Court rejected AZhK's claim, and the ruling of the Almaty City Specialised Inter-District Economic Court remained unchanged. On 6 January 2012 AZhK filed a cassation appeal for the Decree of the Appeal Panel of the Almaty City Court. The Cassation Court Panel of the Almaty City Court decided not to change previous court rulings. In March 2012, AZhK has enforced court ruling, and provision for liabilities formed in 2010 in the amount of Tenge 970,000 thousand was utilised.

In the beginning of 2013 and 2012 AHN provided information on water consumption by customers groups for 2012 and 2011 accordingly, specifying the quantitative indexes with respect to normative and abnormal water losses. Information provided by AHN differs from calculations made by AZhK based on its own measurements for the quantity of normative losses incurred by AHN and quantity of water used by AHN for own needs. AZhK estimated the probability of similar court proceedings with Bastau SPUC for cold water supply services for 2012 and 2011 with respect to normative losses of AHN and water used by AHN for its own needs as high, and at 31 December 2012 created provision in the amount of Tenge 135,507 thousand, which includes provision for cold water supply services for 2012 in the amount of Tenge 67,999 thousand and provision for cold water supply services for 2011 in the amount of Tenge 67,508 thousand.

As stated above, additional charges as the results of court proceedings with Bastau SPUC for 2010 and 2009 were calculated based on information provided by AHN. Therefore, the Group believes that provision as at 31 December 2012 calculated based on information provided by AHN is sufficient. In December 2012, the Specialised Inter-District Economic Court of Almaty City initiated legal proceedings on Bastau SPUC claim regarding recovery from the Group of payables on cold water supply services for 2011 in the amount of Tenge 933,209 thousand. The Group's management believes as well that there is a possible risk of additional charges related to the fact that Bastau SPUC will not be fully satisfied with information and supporting documents on hot water distribution by customers groups, which the Company plans to provide based on information from AHN. The Group estimated the amount of a contingent liability as equal to Tenge 933,209 thousand for the year ended 31 December 2011. This amount represents difference between the cost of cold water consumption calculated by Bastau SPUC and similar amount calculated by AZhK based on information from AHN.

In 2011, AZhK filed a counterclaim against AHN based on court rulings on Bastau SPUC claim demanding the reimbursement of direct losses of Tenge 1,030,000 thousand related to court proceedings with Bastau SPUC for 2009 and state duty of Tenge 30,900 thousand. The Specialised Inter-District Economic Court of Almaty City issued Decree dated 23 September 2011 satisfying AZhK demands in full. AHN filed an appeal, but on 21 November 2011 the Appeal Panel resolved not to change the court ruling dated 23 September 2011. In April 2012 the AHN LLP enforced the court ruling and repaid Tenge 1,030,000 thousand to AZhK. This amount is recognized within other income (Note 27).

32 Contingencies, Commitments and Operating Risks (continued)

In the first half-year period of 2012, AZhK filed a claim against AHN regarding the reimbursement of losses in the amount of Tenge 506,441 thousand (balance for 2009). The Specialised Inter-District Economic Court of Almaty City issued ruling dated 2 October 2012 satisfying AZhK's demands. In addition, AHN filed an appeal to the Almaty City Court requesting the cancelation of the Specialised Inter-District Economic Court of Almaty City ruling dated 2 October 2012. The Appeal Panel issued Decree No2a-7531\2012 dated 26 December 2012, according to which the AHN appeal remained unsatisfied.

Other

In the course of normal operations, the Group is subject to litigations and claims. At present, the Group's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position of the Group.

Insurance

The insurance market in the Republic of Kazakhstan is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

Environmental matters

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

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

Ash dump restoration provision

In accordance with the environmental regulations the Group has a legal obligation to restore ash dumps that are disposal polygons of waste of operations of the Company. At 31 December 2012 the carrying amount of ash dump restoration provision was Tenge 365,090 thousand (31 December 2011: Tenge 352,350 thousand).

The provision for ash dumps restoration is estimated based on the Group's interpretation of current environmental legislation in the Republic of Kazakhstan supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

As of 31 December 2012 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 16,710,699 thousand (31 December 2011: Tenge 10,979,959 thousand). In accordance with the subsoil use license for a gas field the Group has a working program commitment for exploration works in the total amount of Tenge 2,422,224 thousand. Management believes that the Group will have sufficient funds to fulfil its capital commitments.

Investment commitments

In accordance with Agreements on Investment Obligations with the Ministry of Industry and New Technologies of the Republic of Kazakhstan (the "MINT"), the Group entities involved in the production of electricity have investment obligations as of 31 December 2012 of Tenge 28,693,640 thousand. As of 31 December 2012 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 26,293,310 thousand.

In accordance with the joint order of the MINT of the Republic of Kazakhstan and Almaty City Department of the Natural Monopolies Regulation Agency of the Republic of Kazakhstan, the investment program for 2012 amounted to Tenge 20,758,316 thousand, including implemented investments for Tenge 17,987,696 thousand.

32 Contingencies, Commitments and Operating Risks (continued)

Investment commitments of joint ventures

As at 31 December 2012 the Group's share in capital expenditure commitments of Forum Muider, Ekibastuzkaya GRES-1 and Ekibastuzskaya GRES-2 comprised Tenge 57,500,599 thousand (31 December 2011: Tenge 49,116,602 thousand). ZhGRES does not have any material capital expenditure commitments as at 31 December 2012.

Disputes with contractors

In the course of Moinak HPS construction, the matter of increase of contractual price has arisen between Moinak HPS and the general contractor, the Chinese International Corporation on Water Management and Energy ("Contractor"). Moinak HPS received letters claiming reimbursement of such expenses as related to water ingress, electricity supply shortage, customs conditions changes, exchange differences and other. Moinak HPS has analyzed each claim and sent explanations to the contractor, containing management opinion that the majority of expenses charged shall be accounted for in the Contractor's estimated cost of construction. The contractor also has not provided any respective supporting accounting documents. In addition, some expenses are not regulated by contractual terms, but are an integral part of business.

In the course of further negotiations, the Group management took into consideration some Contractor's arguments and plans to attract independent experts for the objective assessment of requirements set by the Contractor. As at the date of these financial statements issue the executor of these works has not been assigned. Management believes that approximate amount of the liabilities would be USD 13,000 thousand and recognized provision in the amount of Tenge 1,959,620 thousand which is a preliminary management estimate of possible reimbursement of incremental expenses of contractor on construction of Moinak HPS (Note 23).

Contingencies of joint ventures

As of 31 December 2012 the joint ventures of the Group do not have any material contingencies except for capital expenditure commitments described above (2011: no material contingencies).

Compliance with covenants

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2012 and 31 December 2011.

33 Business Combinations

On 1 November 2012 the Company acquired 50% of the share capital in Ekibastuzskaya GRES-1 for a total consideration of Tenge 101,620,065 thousand (Note 11). The consideration paid by the Group was based on the results of an external appraisal of the acquiree's business taken as a whole. The fair value recognized for the acquired net assets of Tenge 69,619,928 thousand and is provisional pending receipt of the final valuations for those assets. The difference between the purchase consideration and Group's 50% share in Ekibastuzskaya GRES-1 of IFRS carrying amounts of its identifiable assets and liabilities are preliminary allocated to property, plant and equipment and recognised the related tax effect at 20% statutory rate.

33 Business Combinations (continued)

Provisional fair value of identifiable assets, liabilities and contingent liabilities related to 50% of interest acquired in Ekibastuzaya GRES-1 and historical carrying value under IFRS as at the acquisition date are as follows:

In thousands of Kazakhstani Tenge	Carrying value	Provisional fair value
Property, plant and equipment	70,616,991	110,617,163
Other non-current assets	1,401,509	1,401,509
Inventories	2,666,882	2,666,882
Trade and other receivables	3,612,480	3,612,480
Cash and cash equivalents	7,421,603	7,421,603
Total assets	**85,719,465**	**125,719,637**
Deferred income tax liabilities	5,172,149	13,172,184
Other non-current liabilities	52,027	52,027
Borrowings	5,187,303	5,187,303
Trade and other payables	5,339,075	5,339,075
Taxes payable	348,983	348,983
Total liabilities	**16,099,537**	**24,099,572**
Net assets	69,619,928	101,620,065
Acquisition of interest in net assets		**101,620,065**
Total cost of acquisition		**101,620,065**

On 17 August 2012, Samruk-Kazyna approved the transfer of its 50 percent participatory interest in Ekibastuzskaya GRES-1, a joint venture with Kazakhmys, to the Group. In exchange the Group placed 355,798 new ordinary shares of the Group with a value of KZT 101,620 million with Samruk-Kazyna (Note 33).

The Group's interest in the profit of Ekibastuzskaya GRES-1 from the acquisition date to the balance sheet date was Tenge 3,002,442 thousand. If the acquisition had been made at the beginning of the year, the Group's profit would be Tenge 15,028,740 thousand higher.

34 Financial Instruments by Category

Accounting policies on financial instruments were applied for below listed items:

In thousands of Kazakhstan Tenge	31 December 2012	31 December 2011
Loans and receivables		
Cash and cash equivalents	94,665,896	49,844,147
Restricted cash	3,611,259	-
Term deposit	6,752,273	4,181,872
Financial receivables	7,812,636	6,165,850
Dividends receivable	272,149	-
Accrued interest	-	23,088
Other current financial assets	451,782	44,650
Other non-current financial assets	1,165,064	7,108
Short term loans	4,908,963	1,609,616
Total financial assets	**119,640,022**	**61,876,331**
Financial liabilities carried at amortised cost		
Borrowings	170,174,116	99,566,840
Financial payables	33,836,271	23,750,289
Other financial liabilities	107,737	107,737
Total financial liabilities	**204,118,124**	**123,424,866**

35 Financial Risk Management

Financial Risk Factors

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

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), who provides principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables, other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk. Further information is provided in relation to credit risk in Notes 14 and 16.

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and are forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have the system of assessing the creditworthiness of consumers; policy for assigning internal ratings and set credit limits to counterparties.

35 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next ten years (currently until 2022). In planning cash flows the Group also accounts for income from temporary excess cash using the bank deposits.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

In thousands of Kazakhstan Tenge	**On demand and within 1 month**	**Between 1 and 3 months**	**From 3 to 12 months**	**Between 12 months and 5 years**	**Over 5 years**
At 31 December 2012					
Borrowings	6,418,554	3,506,863	8,218,559	117,774,619	98,480,830
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	10,590,006	2,460,784	2,563,022	-	4,815,050
Total financial liabilities	**17,008,560**	**5,967,647**	**10,781,581**	**117,774,619**	**103,403,617**
At 31 December 2011					
Borrowings	-	13,469,008	4,497,826	44,542,176	92,502,458
Other non-current financial liabilities	-	-	-	-	107,737
Trade and other payables	19,555,537	877,695	1,773,221	479,153	-
Total financial liabilities	**19,555,537**	**14,346,703**	**6,271,047**	**45,021,329**	**92,610,195**

(c) Market risk

Currency risk

The Group's certain borrowings (Note 21) and trade payables (Note 24) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently benefits from Implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

In thousands of Kazakhstan Tenge	**USD**	**Euro**	**Other currencies**	**Total**
At 31 December 2012				
Assets	63,796,068	16	-	63,796,084
Liabilities	(122,898,515)	(108,498)	-	(123,007,013)
Net position	**(59,102,447)**	**(108,482)**	**-**	**(59,210,929)**
At 31 December 2011				
Assets	4,200,262	-	300	4,200,562
Liabilities	(42,528,092)	(49,883)	-	(42,577,975)
Net position	**(38,327,830)**	**(49,883)**	**300**	**(38,377,413)**

35 Financial Risk Management (continued)

At 31 December 2012, if Tenge had weakened/strengthen by 10% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 5,910,245 thousand (31 December 2011: decreased by Tenge 3,061,394 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated borrowings.

At 31 December 2012, if Tenge had weakened/strengthen by 10% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 10,848 thousand (31 December 2011: decreased by Tenge 3,016 thousand).

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Company's cash flows.

The Company has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

If interest rates had been 100 basis points higher at 31 December 2012 (2011: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 3,508 thousand (2011: Tenge 4,131 thousand) less, mainly as a result of higher interest expense on floating interest rate liabilities. Increase in value of property, plant and equipment would have been Tenge 76,445 thousand (2011: Tenge 253,387 thousand) as a result of higher interest rates of capitalized costs on borrowings.

If interest rates had been 100 basis points lower at 31 December 2012 (2011: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 3,623 thousand (2011: Tenge 3,788 thousand) higher, mainly as a result of lower interest expense on floating interest rate liabilities. Decrease in value of property, plant and equipment would have been Tenge 79,664 thousand (2011: Tenge 232,350 thousand) as a result of lower interest rates of capitalized costs on borrowings.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

In thousands of Kazakhstan Tenge	Note	31 December 2012	31 December 2011
Total borrowings	21	170,174,060	99,566,840
Less:			
Cash and cash equivalents	16	(94,665,896)	(49,844,147)
Net borrowings		75,508,164	49,722,693
Total equity		289,930,609	169,683,385
Total capital		**365,438,773**	**219,406,078**
Gearing ratio		**20.66%**	**22.66 %**

36 Fair Value of Financial Instruments

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Due to the short-term nature of cash and cash equivalents and financial receivables, their carrying amounts approximate fair values.

Financial liabilities carried at amortised cost

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

37 Events Occurring After the Reporting Period

In accordance with the order of the Department of the Natural Monopolies Regulation Agency of Mangistau region № 155-NҚ dated 29 December 2012, the electricity transmission and distribution tariff for businesses (MREK) was changed from 2.97 Tenge/ kWh to 3.10 Tenge/ kWh (excl. VAT).

In accordance with the order of the Department of the Natural Monopolies Regulation Agency of Aktobe region the tariff for electricity for 2013 for Aktobe TES was set at 6.7 Tenge/ kWh (excl. VAT) and starting from 1 March 2013 the heat energy tariff was approved at 1,010 Tenge/Gcal (excl. VAT).

Ekibaztuzskaya GRES-1 received confirmation from Maikuben West to restructure the delayed payment in the amount of Tenge 584,924 thousand and agreed to repay in equal installments in February – December 2013. The Company's Management is currently considering options to restructure the payments to comply with the agreement terms with Maikuben West.