SAMRUK-ENERGY JSC

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

31 December 2013

(Translated from the Russian original)

Contents

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Samruk-Energy JSC, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
4 March 2014

Approved and signed by:

Dana Inkarbekova
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance
of the Republic of Kazakhstan №0000005 dated 21 October 1999)
Audit Partner
(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 2013	31 December 2012 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	235,145,703	205,150,447
Investment property	10	824,943	928,061
Intangible assets	8	1,332,626	1,183,018
Exploration and evaluation asset	9	9,237,988	8,464,970
Investments in joint ventures and associates	11	242,883,017	218,568,059
Other non-current assets	12	30,723,532	6,716,368
Total non-current assets		**520,147,809**	**441,010,923**
Current assets			
Inventories	13	8,211,800	7,950,085
Trade and other receivables	14	10,984,506	9,456,279
Other current assets	15	61,994,236	23,576,939
Income tax prepaid		1,320,560	1,709,638
Cash and cash equivalents	16	15,241,998	94,991,109
Assets of disposal group, classified as held-for-sale	17	343,557	320,000
Total current assets		**98,096,657**	**138,004,050**
TOTAL ASSETS		**618,244,466**	**579,014,973**

Signed on behalf of management on 4 March 2014.

Almasadam M. Satkaliev
Chairman of Management Board

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

In thousands of Kazakhstan Tenge	Note	31 December 2013	31 December 2012 (Restated)
EQUITY			
Share capital	18	233,946,269	222,868,957
Other reserves	18	75,308,815	86,622,525
Retained earnings		72,276,222	34,236,867
Equity attributable to the Group's equity holders		**381,531,306**	**343,728,349**
Non-controlling interest		3,021,709	1,998,321
TOTAL EQUITY		**384,553,015**	**345,726,670**
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision		508,248	121,031
Employee benefit obligations	19	1,257,622	956,655
Borrowings	20	166,109,523	155,187,362
Other non-current liabilities	21	6,801,835	7,874,835
Deferred income tax liabilities	30	10,093,806	6,914,650
Total non-current liabilities		**184,771,034**	**171,054,533**
Current liabilities			
Ash dump restoration provision		-	244,059
Borrowings	20	11,297,915	15,741,182
Employee benefit obligations	19	82,624	53,810
Provisions for liabilities and charges	22	2,053,593	9,428,460
Trade and other payables	23	29,768,379	35,312,223
Taxes payable and other payables to budget	30	1,540,131	1,315,830
Income tax payable	30	168,138	138,206
Liabilities of disposal group, classified as held-for-sale	17	4,009,637	-
Total current liabilities		**48,920,417**	**62,233,770**
TOTAL LIABILITIES		**233,691,451**	**233,288,303**
TOTAL LIABILITIES AND EQUITY		**618,244,466**	**579,014,973**

Signed on behalf of management on 4 March 2014.

Almasadam M. Satkaliev
Chairman of Management Board

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

In thousands of Kazakhstan Tenge	Note	2013	2012
Revenue	24	135,843,663	94,557,811
Cost of sales	25	(104,664,782)	(77,064,207)
Gross profit		**31,178,881**	**17,493,604**
Distribution costs		(104,947)	(153,180)
General and administrative expenses	27	(10,291,409)	(6,770,266)
Share in profit of joint ventures and associates	11	30,105,859	13,176,583
Finance income	28	3,294,095	1,701,666
Finance costs	29	(9,346,461)	(5,300,112)
Other income, net	26	2,749,554	1,945,330
Profit before income tax		**47,585,572**	**22,093,625**
Income tax expense	30	(5,617,626)	(3,522,120)
Profit for the year from continuing operations		**41,967,946**	**18,571,505**
(Loss)/Profit for the year from discontinued operations	31	(91,536)	60,100
Profit for the year		**41,876,410**	**18,631,605**
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		(162,072)	-
Total comprehensive income for the year		**41,714,338**	**18,631,605**
Profit attributable to:			
Equity holders of the Group		40,853,022	18,697,680
Non-controlling interest		1,023,388	(126,175)
Profit for the Year		**41,876,410**	**18,571,505**
Total comprehensive income attributable to:			
Equity holders of the Group		40,690,950	18,757,780
Non-controlling interest		1,023,388	(126,175)
Total comprehensive income for the year		**41,714,338**	**18,631,605**

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 2012		**120,294,884**	**29,471,162**	**19,917,339**	**169,683,385**	**2,142,287**	**171,825,672**
Profit for the year		-	-	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 and merger reserve	18	-	57,151,363	-	57,151,363	-	57,151,363
Dividends		-	-	(4,438,252)	(4,438,252)	(17,791)	(4,456,043)
Balance at 31 December 2012		222,868,957	86,622,525	34,236,867	343,728,349	1,998,321	345,726,670
Profit for the year		-	-	40,853,022	40,853,022	1,023,388	41,876,410
Other comprehensive loss		-	(162,072)	-	-	-	(162,072)
Total comprehensive income		-	(162,072)	40,853,022	40,690,950	1,023,388	41,714,338
Share issue	18	11,077,312	-	-	11,077,312	-	11,077,312
Result of transactions with shareholders and merger reserve	18	-	(11,151,638)	-	(11,151,638)	-	(11,151,638)
Dividends		-	-	(2,813,667)	(2,813,667)	-	(2,813,667)
Balance at 31 December 2013		**233,946,269**	**75,308,815**	**72,276,222**	**381,531,306**	**3,021,709**	**384,553,015**

In thousands of Kazakhstan Tenge	Note	2013	2012
Cash flows from operating activities			
Profit before income tax of continued operations		47,585,572	22,093,625
Profit before income tax of discontinued operations	31	(44,685)	-
Adjustments for:			
Impairment of property, plant and equipment	7	-	316,109
Depreciation and amortisation		12,251,804	8,529,572
Losses on disposal of property, plant and equipment		121,225	239,239
Reversal of provision for impairment of trade and other receivables		(117,997)	(374,944)
Charge /(reversal) of provision on obsolete and slow-moving inventories		(278,925)	249,877
Amortisation of income from connection of additional capacities		(513,435)	(539,121)
Current service cost and actuarial losses on employee benefits		324,517	406,006
Finance costs	29	9,346,461	5,300,112
Finance income	28	(3,294,095)	(1,701,666)
Share in profit of joint ventures and associates	11	(30,105,859)	(13,176,583)
Income from assets received free of charge		(238,000)	(200,565)
Others		(177,353)	277,382
Operating cash flows before working capital changes:		**34,859,230**	**21,419,043**
Increase in trade and other receivables and other current assets		(388,671)	(5,361,004)
Increase in inventories		(1,099,985)	2,976,705
Increase in trade and other payables		(2,752,908)	3,961,589
Increase in employee benefits payable		(103,802)	51,600
Increase in taxes payable		235,063	-
Cash generated from operations		**30,748,927**	**23,047,933**
Income tax paid		(1,746,717)	(3,291,365)
Interest paid		(5,567,414)	(3,686,802)
Dividends received		6,328,126	5,850,808
Net cash from operating activities		**29,762,922**	**21,920,574**
Net Cash from Operating activities of disposal Group	31	**200,173**	-
Cash flows from investing activities			
Purchase of property, plant and equipment		(51,329,041)	(34,108,375)
Acquisition of intangible assets		(114,332)	(80,103)
Purchase of exploration and evaluation assets		(532,641)	-
Acquisition of subsidiaries		(15,622)	(9,022,559)
Acquisition of share in associates		(554,000)	(1,562,500)
Capitalised revenue		-	3,694,165
Prepayments for purchase of long-term assets, net		-	(104,197)
Interest income received		121,240	1,189,488
Cash proceeds from sale of Property, Plant and Equipment		82,339	-
Proceeds from sale of interest in subsidiary		-	7,556,910
Placement of bank deposits		(49,967,345)	(8,331,572)
Loans provided		(3,987,819)	(7,052,246)
Proceeds from loans provided		5,218,612	3,731,129
Purchase of Financial Assets		(3,589,263)	-
Others		94,943	180,920
Net cash used in investing activities		**(104,572,929)**	**(43,908,940)**
Net Cash from investing activities of disposal group	31	**370,493**	-
Cash flows from financing activities:			
Proceeds from issue of shares	18	-	954,008
Proceeds from issue of bonds		2,956,595	74,921,344
Proceeds from borrowings		18,810,538	17,170,939
Repayment of borrowings		(18,668,141)	(24,095,506)
Repayment of bonds		(790,190)	(500,000)
Dividends paid to shareholders		(2,813,667)	(4,438,251)
Dividends paid to non-controlling interest holders		(356,069)	(110,053)
Repayment of loans from customers		(1,205,008)	(815,132)
Other payments/receipts attributable to shareholders		(3,991,200)	3,990,000
Others		15,169	57,979
Net cash from financing activities		**(6,041,973)**	**67,135,328**
Net Cash from financing activity of disposal group	31	**(400,000)**	-
Foreign exchange effect on Cash and cash equivalents		1,124,402	-
Net (Decrease)/Increase in cash and cash equivalents		(79,727,578)	45,146,962
Net Increase in cash and cash equivalents (discontinued operations)		170,666	-
Cash and cash equivalents at the beginning of the year	16	94,991,109	49,844,147
Cash and cash equivalents at the year end	16	**15,241,998**	**94,991,109***
Cash and cash equivalents at the year end (discontinued operations)		**192,199**	-

*94,991,109 thousand Tenge cash and cash equivalents at the year end 2012 is adjusted for cash and cash equivalents of EKREDC amounting to 325,213 thousand Tenge (Note 2, Changes in Presentation).

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 2013 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 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.

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 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 2013 this entity was liquidated.

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, acts as an intermediate agent between the Group and service providers on construction services and services on designing, producing, assembling and repairing power equipment. In 2013 the Group's management made the decision to sell its share in SESS. As it 31 December 2013, SESS has been classified as disposal group (Note 17).

1 Samruk-Energy Group and Its Operations (continued)

KazKuat JSC ("KazKuat") (100%): The entity is dormant. As at 31 December 2013 this entity was liquidated.

Shardara HPS JSC ("Shardara HPS") (100%): Hydropower station engaged in the production of electricity 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 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 and engaged in gas field exploration and development activities.

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 2012 and in 2013 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 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 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 and engaged in development of renewable electricity. The company is constructing a wind farm near to Astana.

Energiya Semirechiya LLP (51%) ("ES"): the Group acquired ES in the first quarter of 2013, an entity incorporated in the Republic of Kazakhstan. The company operates solar farm near to Almaty.

East-Kazakhstan regional electricity distribution company (100%) ("EKREDC"): Samruk Kazyna had transferred 100% share in EKREDC to the Group in 2013 (Note 18). This is entity incorporated in the Republic of Kazakhstan and is engaged in the provision of the services on the transmission and technical distribution of electricity.

1 Samruk-Energy Group and Its Operations (continued)

Shygys Energo Trade LLP (100%) ("SET"): an entity incorporated in the Republic of Kazakhstan is a 100% subsidiary of EKREDC and engaged in sale of electricity in East Kazakhstan region.

Unless otherwise stated, the Group had the same interests in the above-mentioned entities at 31 December 2012.

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: Kabanbai Batyr Avenue 15A, 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).

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

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. 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.

2 Basis of Preparation and Significant Accounting Policies (continued)

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

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

The consideration 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.

2 Basis of Preparation and Significant Accounting Policies (continued)

(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.

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 2013 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 153.61 (31 December 2012: US Dollar = Tenge 150.74). 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2 Basis of Preparation and Significant Accounting Policies (continued)

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. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

(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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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. The Board of Directors of the Company determines value per share and a number of shares to be issued on each individual share issue based on the statutory rules.

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

(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 carried at amortised cost using the effective interest method

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

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.

2 Basis of Preparation and Significant Accounting Policies (continued)

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.

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

(i) Transfer of shares of EKREDC from Samruk Kazyna

On 30 March 2013 Samruk Kazyna transferred to the Group 100% of share capital of EKREDC as payment for issued common shares of the Company in amount of Tenge 7,723,689 thousand. Since the transfer of shares of EKREDC represents a combination of business under common control, these consolidated financial statements have been prepared using the predecessor value method. Accordingly, these consolidated financial statements are presented as if the transfer of shares of EKREDC occurred at the date when the EKREDC was first brought under common control by Samruk Kazyna, i.e. 28 December 2012, and as a result the consolidated statement of financial position as at 31 December 2012 has been restated. The transfer does not have an effect on the consolidated financial statements of the Group as of 1 January 2012.

The assets and liabilities of EKREDC transferred under common control are at the predecessor entity's carrying amounts. The difference between the carrying amount of net assets and the consideration for the acquisition was accounted for as an adjustment to other reserves within the equity in amount of Tenge 4,264,023 thousand.

ii) Acquisition of EGRES-1 from Samruk-Kazyna

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. The Group placed 355,798 new ordinary shares of the Company with a value of KZT 101,602 million with Samruk-Kazyna on 1 November 2012. Subsequently, the fair value of the consideration given, i.e. the fair value of shares, was assessed in the amount of Tenge 151,958 million during twelve month remeasurement period since the acquisition date. The difference between the fair value of consideration given and the value of shares issued was recognized as an addition to merger reserve in amount of Tenge 50,338,022 thousand and the balance of investment in Joint Ventures and Associates at 31 December 2012 was changed.

2 Basis of Preparation and Significant Accounting Policies (continued)

Presented below are the results of such restatements related to (i) and (ii):

In thousands of Kazakhstani Tenge	Ref	Effect at 31 December 2012
Increase in property, plant and equipment	(i)	4,812,266
Increase in intangible assets	(i)	34,770
Increase in Investments in joint ventures and associates	(ii)	50,338,022
Increase in other non-current assets	(i)	30,310
Increase in inventories	(i)	322,731
Increase in trade and other receivables	(i)	1,481,397
Increase in other current assets	(i)	41,547
Increase in income tax prepaid	(i)	48,633
Increase in cash and cash equivalents	(i)	325,213
Increase in employee benefit obligations	(i)	(9,878)
Increase in deferred income tax liabilities	(i)	(149,702)
Increase in borrowings	(i)	(754,484)
Increase in provisions for liabilities and charges	(i)	(55,404)
Increase in trade and other payables	(i)	(2,446,185)
Taxes payable and other payables to budget	(i)	(221,496)
Increase in equity		**53,979,740**

Effect of restatement on individual statement of financial position items at 31 December 2012:

In thousands of Kazakhstani Tenge	31 December 2012 As previously reported	Restatement	Restated
Property, plant and equipment	200,338,181	4,812,266	205,150,447
Investment property	928,061	-	928,061
Intangible assets	1,148,248	34,770	1,183,018
Exploration and evaluation assets	8,464,970	-	8,464,970
Investments in joint ventures and associates	168,230,037	50,338,022	218,568,059
Other non-current assets	6,686,058	30,310	6,716,368
Inventories	7,627,354	322,731	7,950,085
Trade and other receivables	7,974,882	1,481,397	9,456,279
Other current assets	23,535,392	41,547	23,576,939
Income tax prepaid	1,661,005	48,633	1,709,638
Cash and cash equivalents	94,665,896	325,213	94,991,109
Assets of disposal group, classified as held-for-sale	320,000	-	320,000
Share capital	222,868,957	-	222,868,957
Other reserves	32,824,785	53,797,740	86,622,525
Retained earnings	34,236,867	-	34,236,867
Non-controlling interest	1,998,321	-	1,998,321
Ash dump restoration provision	121,031	-	121,031
Long-term portion of employee benefits obligation	948,300	8,355	956,655
Long-term borrowings	155,187,362	-	155,187,362
Other non-current liabilities	7,874,835	-	7,874,835
Deferred income tax liability	6,764,948	149,702	6,914,650
Ash dump restoration provision	244,059	-	244,059
Short-term borrowings	14,986,698	754,484	15,741,182
Short-term portion of employee benefits obligation	52,287	1,523	53,810
Provisions for liabilities and charges	9,373,056	55,404	9,428,460
Trade and other payables	32,866,038	2,446,185	35,312,223
Taxes payable and other payables to budget	1,094,334	221,496	1,315,830
Current income tax payable	138,206	-	138,206

The revised IAS 1 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 2012 and related notes would represent a material omission of information. In management's opinion, no change is required to the opening statement of financial position and related notes and is therefore permitted.

3 New Accounting Pronouncements

The following new standards and interpretations became effective for the Group from 1 January 2013:

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 and added additional note (Note 11)

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 and had included additional disclosure in the consolidated financial statements (Note 11).

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 assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated financial statements.

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 assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated 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 assessed the impact of the new standard on its financial statements. The standard does not have a material impact on consolidated 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.

3 New Accounting Pronouncements (continued)

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 expects the amended standard to change presentation of its financial statements, but have no significant impact on consolidated 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 amendments have impact on disclosures but will have no effect on measurement and recognition of financial instruments..

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 standard does not have a material impact on consolidated financial statements.

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 standard does not have a material impact on 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 standard does not have a material impact on consolidated 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.

Listed below are new standards and interpretations that have been published and are mandatory for the Group accounting periods beginning on or after 1 January 2014 and which the Group has not early adopted:

3 New Accounting Pronouncements (continued)

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.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Group does not intend to adopt the existing version of IFRS 9.

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.

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 consolidated financial statements.

IFRIC 21 - Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its financial statements.

3 New Accounting Pronouncements (continued)

Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its financial statements.

Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

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 2013 and 2012 the management reviewed property, plant and equipment for existence of impairment indicators and concluded that there are no any impairment indicators at these dates.

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.

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

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 2013 the carrying amount of investment property is Tenge 824,943 thousand (31 December 2012: Tenge 928,061 thousand) (Note 10).

Based on estimation of fair value of investment property (Note 10) at 31 December 2013 the Group did not identify any indication of impairment of investment property (31 December 2012: 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.

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.

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

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 2013 would be to increase/decrease it by Tenge 1,030,536 thousand (31 December 2012: increase/decrease by Tenge 810,787 thousand).

Settlement agreement with Akimat

AzhC was involved in litigation with Akimat of Almaty city, a City administration (further "Akimat").

As of 31 December 2013 and 31 December 2012 payable in the amount of Tenge 7,274,672 thousand was classified as financial liability in the consolidated statement of financial position based on the repayment agreement dated 14 August 2008. During 2013 as a result of the litigation AZhC has recorded an additional provision in the amount of Tenge 929,907 thousand and the State duty in the amount of Tenge 246,473 thousand. On 31 December 2013 the State duty was fully paid.

On 14 February 2014 AZhC and Akimat signed an amicable agreement. Based on this agreement, the payable to Akimat would be offset against Company's receivables from Almaty Heat Systems JSC in the amount of Tenge 433,158 thousand and Energosberezhenie PUC in the amount of Tenge 3,281,556 thousand, payment by the company to Akimat of Tenge 1,000,000 thousand and acceptance from Akimat power lines being in its communal ownership. Therefore, management did not recognise reserves from litigation in the amount of Tenge 929,907 thousand, as based on the amicable agreement AzhC did not expect future outflows as of 31 December 2013, related to this obligation.

Acquisition of Ekibastuz GRES-1

On 1 November 2012, Samruk-Kazyna transferred of its 50 percent participatory interest in EGRES-1, a joint venture with Kazakhmys, to the Group. 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 18). It was measured at a value of the contribution determined by an independent valuator for statutory purposes which does not necessarily correspond to its fair value.

As being the joint venture between Kazahmys and Samruk-Kazyna, neither party has a control over the entity. Therefore, transfer of 50 percent interest from Samruk-Kazyna to the Group has been accounted for by applying the purchase method as defined by IFRS 3.

Fair value of consideration given was determined by independent professional appraiser in the amount of Tenge 151,958,087 thousand, in 2013, during twelve month period since acquisition date, given for determination of fair value.

Difference between the value of shares transferred by the Company and fair value of consideration given is accounted for in these consolidated financial statements as an adjustment to other reserves within equity (Note 18).

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

Presented below is the information on the Group's share in acquired net assets at fair value as of acquisition date:

In thousands of Kazakhstani Tenge	Fair Value
Property, plant and equipment	313,001,291
Other non-current assets	1,451,742
Inventories	5,333,764
Trade and other receivables	3,810,724
Cash and cash equivalents	18,604,106
Deferred income tax liabilities	(43,992,516)
Other non-current liabilities	(104,054)
Borrowings	(11,215,860)
Trade and other payables	(9,854,614)
Taxes payable	(830,883)
Fair value of identifiable net assets of JV	276,203,700
Acquired interest in JV -50% share	138,101,850
Goodwill arising from the acquisition	13,856,237
Shares transferred	101,620,065
Other reserves	50,338,022
Total acquisition cost:	**151,958,087**

Fair value of property, plant and equipment at the acquisition date was determined by an independent professional appraiser based on depreciated replacement cost method. The fair values of other assets and liabilities acquired are based on various valuation methods and were determined by an independent professional appraiser.

The goodwill is primarily attributable to the profitability of the acquired business. The goodwill will not be deductible for tax purposes in future periods.

The acquired joint venture contributed income in the amount of Tenge 19,279,172 thousand to the Group for the period from the date of acquisition to 31 December 2013 (Note 11).

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, share of profit/(loss) of associates and effects, related to acquisition 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.

5 Segment Information (continued)

	Production of electric energy and heating energy		Electric energy transmission and distribution		Sale of electric energy		Others		Total	
In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
External revenues	25,144,417	20,521,089	11,757,747	6,668,874	98,952,095	67,367,848	-	-	135,854,259	94,557,811
Inter-segment revenue	38,953,660	34,894,968	34,736,869	21,430,605	61,734		2,346,112	10,999,658	76,098,375	67,325,231
Total revenue	**64,087,481**	**55,416,057**	**46,494,616**	**28,099,479**	**99,013,829**	**67,367,848**	**2,346,112**	**10,999,658**	**211,942,038**	**161,883,042**
Share in profit of joint ventures	25,292,306	8,882,174	-	-	-	-	4,851,791	4,251,784	30,144,097	13,133,958
Adjusted EBITDA	**47,160,623**	**21,889,107**	**16,262,578**	**7,361,253**	**879,707**	**1,010,902**	**382,585**	**2,938,568**	**64,685,493**	**33,199,829**
Amortisation	(7,188,561)	(4,952,925)	(4,889,893)	(3,288,616)	(117,351)	(96,045)	(129,507)	(191,986)	(12,325,312)	(8,529,572)
Finance income	204,960	300,163	660,647	233,259	-	866	2,421,679	1,167,378	3,294,095	1,701,666
Finance expense	(2,932,649)	(1,106,816)	(680,333)	(2,085,738)	6,809	(52,359)	(5,647,466)	(2,055,199)	(9,346,461)	(5,300,112)
Impairment of assets, net	356	-	(10,326)	56,332	(2,011)	-	-	-	(11,981)	56,332
Income from legal claims	1,327,977	922,857	-	-	-	-	-	-	1,327,977	922,857
Share in profit/(loss) of associates	(38,238)	42,625	-	-	-	-	-	-	(38,238)	42,625
Profit before income tax	**38,534,468**	**17,095,011**	**11,342,673**	**2,276,490**	**681,141**	**863,364**	**(2,972,710)**	**1,858,761**	**47,585,572**	**22,093,625**
Reportable segment assets	380,088,972	331,894,787	132,605,147	142,461,908	8,312,487	8,372,221	128,316,891	131,146,642	649,323,498	613,875,558
Capital expenditure	32,352,120	19,366,437	17,735,573	13,578,232	96,437	98,294	1,679,499	1,065,412	51,863,629	34,108,375
Reportable segment liabilities	88,022,985	82,678,739	56,403,480	61,918,883	7,765,164	7,824,163	111,533,624	116,288,876	263,725,253	268,710,661

5 Segment Information (continued)

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

In thousands of Kazakhstan Tenge	**31 December 2013**	**31 December 2012**
Total revenues for reportable segments	209,595,926	150,883,384
Revenues from other operations	2,346,112	10,999,658
Total revenue	**211,942,038**	**161,883,042**
Elimination of sales between segments	(76,098,375)	(67,325,231)
Total consolidated revenues	**135,843,663**	**94,557,811**

In thousands of Kazakhstan Tenge	**31 December 2013**	**31 December 2012**
Total reportable segment assets	521,006,606	482,728,916
Assets from other operations	128,316,891	131,146,642
Total assets	**649,323,497**	**613,875,558**
Elimination of balances between segments	(31,079,031)	(34,860,585)
Total consolidated assets	**618,244,466**	**579,014,973**

In thousands of Kazakhstan Tenge	**31 December 2013**	**31 December 2012**
Total reportable segment liabilities	152,191,628	152,421,784
Liabilities from other operations	111,533,624	116,288,876
Total liabilities	**263,725,252**	**268,710,660**
Elimination of balances between segments	(30,033,801)	(35,422,357)
Total consolidated liabilities	**233,691,451**	**233,288,303**

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 24. Majority of sales of the Group are within Kazakhstan.

(g) Major customers

During the years ended 31 December 2013 and 31 December 2012 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 2013 and 31 December 2012 is detailed below.

6 Balances and Transactions with Related Parties (continued)

At 31 December 2013, 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	Shareholder	Government related entities
Trade and other receivables	24,182	13,063	217,000	-	3,855,081
Cash and cash equivalents	1,686,509	-	-	-	-
Other non-current assets	3,306,339		-	218,239	-
Other current assets	10,216,123	4,197,872	-	-	4,429,829
Borrowings	420,206	-	-	30,892,547	17,663,395
Trade and other payables	1,289,879	375,217	319,874	-	7,613,699

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	Shareholder	Government related entities
Trade and other receivables	30,744	202,320	650	-	2,137,131
Cash and cash equivalents	4,288,501	-	51,163,960	-	-
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

The income and expense items with related parties for the year ended 31 December 2013 were as follows:

In thousands of Kazakhstan Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholder	Government related entities
Revenue	5,331,704	-	4,874,956	-	16,019,614
Cost of sales	16,900,600	21,606,756	262,120	-	3,023,783
General and administrative expenses	357,521	-	-	-	-
Distribution costs	1,245	-	-	-	
Other expenses	110,438	-	-	-	-
Other income	2,646	21,963	31,075	-	1,403,978
Finance costs	324,381	-	-	2,367,771	1,109,844
Finance income	509,496	125,343	-	-	-
Loss on foreign exchange	20,446	-	-	-	-

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	Shareholder	Government related entities
Revenue	3,624,537	-	17,408	-	7,970,174
Cost of sales	12,524,857	10,856,242	6,480,194	-	1,202,428
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	-	-	-	-

6 Balances and Transactions with Related Parties (continued)

As of the 31 December 2013, Group has following outstanding guarantees from Related Parties:

- Corporate guarantee from Samruk-Kazyna, to the amount of 50,000,000 USD for loan arrangement with state development bank of China (2012: 50,000,000 USD)
- Corporate guarantee from Samruk-Kazyna to the amount of 12,285,000 USD for outstanding loan to Development Bank of Kazakhstan (2012: 12,285,000 USD)
- Governmental guarantee to the amount of 25,000,000 USD for outstanding loan to Development Bank of Kazakhstan (2012: 25,000,000 USD)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	**31 December 2013**	**31 December 2012**
Key management compensation	345,475	118,495
Total key management compensation	**345,475**	**118,495**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2013 include 9 persons (31 December 2012: 6 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 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	734,764	4,469,666	677,230	37,661,335	43,542,995
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)
Result of business combination (Note 2)	2,902,283	1,435,372	437,839	36,772	4,812,266
Transfer from other assets	-	294,953	32,656	120,305	207,304
Carrying amount at 31 December 2012	**62,043,473**	**99,802,881**	**3,725,050**	**39,579,043**	**205,150,447**
Cost at 1 January 2013	79,293,150	131,474,041	6,096,718	39,701,027	256,564,936
Accumulated depreciation and impairment	(17,249,677)	(31,671,160)	(2,371,668)	(121,984)	(51,414,489)
Carrying amount at 1 January 2013	**62,043,473**	**99,802,881**	**3,725,050**	**39,579,043**	**205,150,447**
Additions	2,200,443	3,506,455	1,770,077	34,588,769	42,065,744
Capitalised borrowing costs	-	-	-	179,413	179,413
Transfers	17,241,464	32,030,945	164,412	(49,436,821)	-
Depreciation	(3,797,391)	(7,447,280)	(670,247)	-	(11,914,918)
Disposals	(26,405)	(41,289)	(56,153)	(1,124)	(124,971)
Transfer to other assets	-	-	-	(210,013)	(210,013)
Carrying amount at 31 December 2013	**77,661,585**	**127,851,712**	**4,933,139**	**24,699,267**	**235,145,703**
Cost at 31 December 2013	98,591,330	166,797,761	7,909,168	24,821,252	298,119,510
Accumulated depreciation and impairment	(20,929,745)	(38,946,049)	(2,976,029)	(121,984)	(62,973,807)
Carrying amount at 31 December 2013	**77,661,585**	**127,851,712**	**4,933,139**	**24,699,268**	**235,145,703**

As at 31 December 2013 the property, plant and equipment with carrying value of Tenge 3,614,546 thousand (31 December 2012: Tenge 5,608,719 thousand) were pledged as collateral for borrowings received by the Group from JSC "Development Bank of Kazakhstan" (Note 20).

Additions for the year ended 31 December 2013 include capitalized borrowing costs in amount of Tenge 179,413 thousand (2012: Tenge 1,512,935 thousand).

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

In thousands of Kazakhstan Tenge	2013	2012
Cost of sales	11,699,799	8,080,194
General and administrative expenses	215,128	184,674
Other expenses	-	14,775
Total depreciation charge	**11,914,918**	**8,279,643**

8 Intangible Assets

In thousands of Kazakhstani Tenge	Licenses	Computer software	Other	Total
Cost at 1 January 2012	87,252	843,350	-	930,602
Accumulated amortisation	(27,792)	(191,661)	-	(219,453)
Carrying amount at 1 January 2012	**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**	**655,498**	**490,771**	**1,183,018**
Cost at 31 December 2012	125,466	1,069,888	490,771	1,686,125
Accumulated amortisation	(88,717)	(414,390)	-	(503,107)
Carrying amount at 31 December 2012	**36,749**	**655,498**	**490,771**	**1,183,018**
Additions	7,108	127,847	45,468	180,422
Disposals	-	(6,247)	-	(6,247)
Transfers	-	209,201	-	209,201
Amortisation charge	(18,198)	(209,401)	(6,169)	(233,768)
Carrying amount at 31 December 2013	**25,659**	**766,680**	**530,069**	**1,322,409**
Cost at 31 December 2013	132,574	1,390,472	536,239	2,069,501
Accumulated amortisation	(106,915)	(623,791)	(6,169)	(736,875)
Carrying amount at 31 December 2013	**25,659**	**766,680**	**530,069**	**1,332,626**

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 thousand 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 the 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. During 2013, the Group incurred further exploration costs to the total amount of Tenge 773,018 thousand.

10 Investment Property

In thousands of Kazakhstan Tenge	2013	2012
Cost at 1 January	1,497,162	1,497,162
Accumulated depreciation	(569,101)	(465,983)
Carrying amount at 1 January	**928,061**	**1,031,179**
Depreciation	(103,118)	(103,118)
Cost at 31 December	1,497,162	1,497,162
Accumulated depreciation	(672,219)	(569,101)
Carrying amount at 31 December	**824,943**	**928,061**

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 2013	31 December 2012
Within 1 year	1,022,550	1,022,500
Between 1 year and 5 years	4,090,200	4,090,000
Above 5 years	4,978,348	6,000,648
Total future minimum lease payments	**10,091,098**	**11,113,148**

During the year ended 31 December 2013 the Group received income from the operating lease of Bukhtarminskaya hydropower station in the amount of Tenge 1,882,627 thousand (2012: Tenge 1,495,019 thousand) (Note 24).

The fair value of the investment property, determined as a sum of discounted minimum lease payments, at 31 December 2013 is Tenge 7,451,007 thousand (31 December 2012: Tenge 8,331,538 thousand). For determination of fair value, the Group did not engage an independent appraiser. The 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.

In thousands of Kazakhstan Tenge	**Joint ventures**				**Associates**		
	GRES-2	**Forum Muider**	**ZhGRES**	**GRES-1**	**BTES**	**TPEP**	**Total**
Balance at 1 January 2012	**23,766,364**	**31,680,820**	-	-	-	**256,446**	**55,703,630**
Additions	-		-	151,958,087	4,081,489	-	**156,039,576**
Share in profit for the year	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**	-	**154,960,528**	**4,124,115**	-	**218,568,059**
Additions			-	-	554,000	-	554,000
Share in profit for the year	9,015,575	4,851,791	-	16,276,731	(38,238)		30,105,859
Dividend received		(6,344,901)	-	-	-		(6,344,901)
Balance at 31 December 2013	**38,661,6**	**28,344,210**	-	**171,237,259**	**4,639,877**	-	**242,883,017**

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.
- 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 2008.

ZhGRES receives the Government subsidies for purchases of fuel to compensate its losses from the operating activities. Subsidies are recognised as current period revenue. Investment in the company was impaired. No share of profit of ZhGRES is recognised in the consolidated financial statements of the Group.

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 thermal power station.

11 Investment in Joint Ventures and Associates (continued)

Presented below is summarised financial information of joint ventures and associate at 31 December 2013 and 2012 and for the year then ended:

In thousands of Kazakhstani Tenge	GRES-2 31 December 2013	GRES-2 31 December 2012	Forum Muider 31 December 2013	Forum Muider 31 December 2012	ZhGRES 31 December 2013	ZhGRES 31 December 2012	GRES-1 31 December 2013	GRES-1 31 December 2012	BTES 31 December 2013	BTES 31 December 2012
Total current assets	11,063,270	7,852,295	39,701,828	15,146,081	3,264,266	3,319,214	17,488,324	20,298,705	966,631	7,528,489
Total non-current assets	132,584,004	**113,960,725**	42,152,437	**93,992,826**	5,356,259	**6,584,028**	359,982,781	**236,684,797**	18,461,074	**16,732,668**
Total current liabilities	56,903,216	2,435,958	11,980,542	14,139,299	5,402,614	5,768,733	12,440,224	6,872,042	572,086	235,550
Total non-currentliabilities	9,420,716	**54,751,240**	13,185,303	**34,318,186**	192,474	**5,962,770**	22,556,364	**27,439,785**	296,110	**236,208**
Net assets	**77,323,342**	**59,209,485**	**56,688,420**	**59,674,640**	**3,025,437**	**621,258**	**342,474,517**	**209,245,012**	**18,559,509**	**16,496,460**
Revenue	43,379,379	36,194,170	96,331,212	57,658,500	12,255,873	9,433,930	82,337,544	86,452,527	-	-
Governmental subsidies	-	-	-	-	4,118,711	3,450,740	-	-	-	-
Profit/(loss) before tax	22,913,271	14,939,821	13,837,629	11,575,568	2,404,180	(1,581,741)	42,562,160	50,463,405	(62,144)	63,554
Total comprehensive income/(loss)	**18,031,150**	**6,650,920**	**9,703,582**	**8,503,568**	**2,404,180**	**(1,581,741)**	**33,729,462**	**40,301,915**	**(152,953)**	**63,554**

The only reconciling difference between the above amounts and the carrying amount of the investments in associates and joint ventures is elimination of the ownership interest by the other investors in the associates and joint ventures.

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 2013	31 December 2012
Long-term deposits	12,750,188	-
Prepayments for non-current assets	11,832,305	3,882,619
Non-current VAT recoverable	2,321,466	2,257,145
Restricted cash	408,220	414,718
Bonds	3,294,007	-
Other	117,346	161,88
Total other non-current assets	**30,723,532**	**6,716,368**

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 2013	31 December 2012
Construction of First Wind Power station	6,928,921	-
Reconstruction and expansion of HPP-2 of ALES	2,449,785	907,248
Construction and reconstruction of substations in Almaty and Almaty region	460,878	1,683,909
Replacement of turbine 3 of Aktobe TES	-	949,694
Other	99,461	341,768
Total prepayments for non-current assets	**11,832,305**	**3,882,619**

13 Inventories

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Fuel	4,538,167	3,605,049
Auxiliary production materials	3,099,281	4,077,402
Spare parts	622,936	475,527
Raw materials	43,800	54,602
Other materials	791,681	914,382
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(884,065)	(1,176,877)
Total inventories	**8,211,800**	**7,950,085**

14 Trade and Other Receivables

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Trade receivables	9,889,435	9,853,757
Loan provided to Energosberezhenie PUC	-	3,281,555
Receivable from Almaty Heat Network JSC	1,491,922	432,650
Other receivables	187,367	35,459
Less: impairment provision	(839,997)	(4,359,267)
Total financial receivables	10,728,727	9,244,154
Other receivables	301,957	249,363
Less: impairment provision	(46,178)	(37,238)
Total trade and other receivables	**10,984,506**	**9,456,279**

14 Trade and Other Receivables (continued)

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. In 2004 management concluded that this amount is uncollectible and recorded a provision of 100% of outstanding amount receivable. During year 2013, receivable has been written-off against the provision. As at 31 December 2013 the outstanding balance of this financial aid is nil (31 December 2012: Tenge 3,281,556 thousand).

Receivable from Almaty Heat Systems JSC

This amount represents the outstanding balance of receivable from Almaty Heat Systems JSC ("AITS") by AZhC for property of heating system of Almaty city transferred by the Company as a result of the reorganisation of Almaty Power Consolidated JSC ("APC") performed in 2007 with the purpose of transfer of heat energy transportation and sale functions in accordance with instruction of ARNM. AITS is a state owned entity. In 2008 the Company recorded a 100% provision for impairment of the receivable from AITS.

On 15 April 2011, by the decision of the Specialized interregional economic court of Almaty city the court charged AITS in favour of the Company the receivables of Tenge 482,663 thousand and refund of the state duty of Tenge 14,480 thousand. On 20 November 2012 the Company and AITS signed an agreement "On the procedure of execution of the decision of the Specialized interregional economic court of Almaty city" dated 15 April 2012 and "Additional decision thereto" dated 18 May 2012, whereby AITS recognizes the debt of Tenge 497,142 thousand. The Company confirmed the existence of unrecorded liability to AITS of Tenge 63,984 thousand. As a result the final amount of the accounts receivable from AITS as of 31 December 2013 is equal to Tenge 433,158 thousand.

As described in Note 4, on 14 February 2014 the Akimat of Almaty city signed the amicable agreement on settlement of the existing liability of the Company, whereby the liability of AITC to AZhK will be offset against the Company's liability to the Akimat, accordingly, the Company's management made a decision to reverse the previously accrued provision of Tenge 432,650 thousand.

The remaining amount of receivable from Almaty Heat Systems, represents the receivable in respect of compensation on legal proceedings (Note 26)

Financial receivables of the Group at 31 December 2013 and 31 December 2012 are denominated in Tenge. Presented below is movement in the Group's provision for impairment of financial receivables:

In thousands of Kazakhstan Tenge	2013	2012
Provision for impairment at 1 January	4,359,267	4,446,291
Provision for impairment charged during the year	324,416	560,998
Reversal of provision during the year	(426,696)	(578,526)
Amounts written off during the year as uncollectible	(3,416,990)	(69,496)
Provision for impairment at 31 December	**839,997**	**4,359,267**

14 Trade and Other Receivables (continued)

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

In thousands of Kazakhstan Tenge	2013	2012
Current and not impaired	7,008,665	6,096,959
Total current and not impaired	**7,008,665**	**6,096,959**
Past due but not impaired		
- up to 30 days overdue	2,133,437	2,557,156
- 30 to 90 days overdue	760,488	536,674
- 90 to 180 days overdue	91,418	30,187
- 180 days -360 days overdue	742,001	122,807
Total past due but not impaired	**10,736,009**	**3,246,824**
Total individually impaired (gross)		
- to 90 days overdue	31,949	29,324
- 90 to 180 days overdueek	42,615	26,095
- 180 to 360 days overdue	343,350	64,815
- over 360 days overdue	414,800	4,139,404
Total individually impaired	**832,715**	**4,259,638**
Less: impairment provision	(839,997)	(4,359,267)
Total	**10,728,727**	**9,244,154**

15 Other Current Assets

In thousands of Kazakhstan Tenge	2013	2012
Term deposits	45,651,277	6,752,273
VAT recoverable and prepaid taxes	5,478,032	5,871,814
Restricted cash	4,827,511	3,611,259
Dividends receivable	281,239	272,149
Advances to suppliers	1,574,002	1,729,007
Interest free short-term loans to related parties	-	2,908,459
Short-term loans to related parties	3,702,847	1,998,750
Less: impairment provision	-	(21,663)
Other	479,327	454,891
Total other current assets	**61,994,236**	**23,576,939**

Restricted cash represents cash received from electricity sales 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 4,827,511 thousand (31 December 2012: Tenge 3,611,259 thousand). 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.

The Group provides a short term loan to ZhGRES to purchase a fuel for winter season. In December 2013, the Group provided a short-term loan to ZhGRES in the amount of Tenge 3,702,847 thousand, not secured by any collateral. The loan matures in December 2014. The interest is 7% per annum and is paid at the maturity.

16 Cash and Cash Equivalents

In thousands of Kazakhstan Tenge	2013	2012
Demand deposits	5,253,000	48,797,439
Cash at current bank accounts	9,969,783	46,177,766
Cash on hand	19,215	15,904
Total cash and cash equivalents	**15,241,998**	**94,991,109**

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	2013	2012
Kazakhstani Tenge	12,621,246	48,797,439
US Dollar	2,536,448	46,177,766
Other currencies	84,304	15,904
Total cash and cash equivalents	**15,241,998**	**94,991,109**

17 Non-current Assets Held for Sale and Disposal Groups

Major classes of assets classified as disposal group are as follows:

In thousands of Kazakhstan Tenge	2013	2012
Non-current assets classified as disposal group		
Property, plant and equipment	5,829	-
Investment in joint ventures and associates	-	320,000
Intangible assets	10,217	-
Deferred tax assets	4,719	-
Current assets classified as disposal group		
Inventories	7,543	-
Income tax prepaid	6,951	-
Other current assets	115,299	-
Cash and cash equivalents	192,999	-
Total assets classified as disposal group	**343,557**	**320,000**
Non-current liabilities	629,632	-
Trade and other payables	3,345,293	-
Other taxes payable	15,760	
Other current liaiblities	18,952	-
		-
Total liabilities directly associated with disposal group	**4,009,637**	**-**

Management approved a plan to sell SESS on 30 December 2013 as part of program on disposal of non-core business. The Group has disposed SESS in February of 2014 for Tenge 45,500 thousand. Loss on write-down to fair value less costs to sell of disposal group that form a part of discontinued operations is presented in Note 31.

In 2012, management classified investment in TPEP as non-current asset held for sale. Investment in TPEP was sold in 2013, for the total consideration received in the amount of Tenge 370,000 thousand.

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 2012		**5,041,033**		**120,294,884**
Payment of unpaid portion of previous shares:				
7th issue of shares (4th 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**
Payment of unpaid portion of previous issues:				
9th issue of shares (4rd stage)	22 of March 2013	30,000	257,456	7,723,689
10th issue of shares	27 of March 2013	14,924	224,713	3,353,623
Balance at 31 December 2013		**5,463,437**		**233,946,269**

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 4). Difference between the values of shares transferred by the Company and the fair value of consideration given is accounted for in the consolidated financial statements as an adjustment to other reserves within equity in the amount of Tenge 50,338,022 thousand.

At 31 December 2013, 5,463,437 issued common shares were fully paid (31 December 2012: 5,418,513 shares). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2013		31 December 2012	
	Samruk-Kazyna	Total	Samruk-Kazyna	Total
Number of paid common shares	5,463,437	5,463,437	5,418,513	5,418,513
% of ownership	100%	100%	100%	100%
Total share capital	**233,946,269**	**233,946,269**	**222,868,957**	**222,868,957**

Other reserves

In thousands of Kazakhstan Tenge	Merger reserve	Result of transactions with shareholders	Other comprehensive loss	Total
Balance at 1 January 2012	11,445,568	18,025,594	-	29,471,162
Acquisition of EKREDC	(4,264,023)	7,723,689	-	3,459,666
Acquisition of GRES-1	50,338,022	-		50,338,022
Transfer of assets	-	3,353,675	-	3,353,675
Balance at 31 December 2012	**57,519,567**	**29,102,958**	-	**86,622,525**
Other comprehensive loss	-	-	(162,072)	(162,072)
Acquisition of EKREDC	(74,326)	(7,723,689)	-	(7,797,963)
Transfer of assets	-	(3,353,675)	-	(3,353,675)
Balance at 31 December 2013	**57,445,241**	**18,025,646**	**(162,072)**	**75,308,815**

Merger reserve and results of transactions with shareholders

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.

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 transaction and the additional contribution has been included within other reserves until new shares are placed with Samruk-Kazyna.

In March 2013 Samruk Kazyna transferred to the Group 100% of share capital of EKREDC as payment for issued 30,000 common shares of the Group in amount of Tenge 7,723,689 thousand. Since the transfer of shares of EKREDC represents business combination under common control, these consolidated financial statements have been prepared using the predecessor entity method. Accordingly, these consolidated financial statements are presented as if the transfer of shares of EKREDC occurred at Samruk Kazyna acquisition date, i.e. 28 December 2012, and as a result the comparative information has been restated. Difference in net assets at acquisition and the amount of shares issued, in amount of Tenge 4,264,023 thousand was recognized in other reserves.

On 20 May 2013, the Group declared dividends in amount of Tenge 519.27 per ordinary share (2012: Tenge 819.09) and paid on 26 December 2013.

19 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	2013	2012
Present value of defined benefit obligations at 1 January	1,010,465	948,987
Actuarial losses	257,004	369,587
Unwinding of the present value discount	60,316	47,145
Current service cost	97,575	36,419
Benefits paid	(85,113)	(401,551)
Present value of defined benefit obligations at 31 December	**1,340,246**	**1,010,465**

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

In thousands of Kazakhstan Tenge	2013	2012
Short-term portion of defined benefit obligations	82,624	53,810
Long-term portion of defined benefit obligations	1,257,622	956,655
Total	**1,340,246**	**1,010,465**

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

In thousands of Kazakhstan Tenge	2013	2012
Actuarial losses	257,004	369,587
Unwinding of the present value discount	60,316	47,145
Current service cost	97,575	36,419
Expense recognised in profit and loss for the period	**414,894**	**453,151**

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 2013 and 31 December 2012 were as follows:

	2013	2012
Discount rate	5.33%-5.77%	5.63%-5.82%
Annual minimum salary and monthly calculation index increase	6%-8%	7%-8%
Average lapse rate:		
- administrative and management personnel	13.97%-20.13%	8.96%-22.05%
- production personnel	9.18%-9.59%	5.04%-10.24%

20 Borrowings

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Non-current portion		
Bank term loans	54,876,102	45,923,767
Loan from Samruk-Kazyna	28,367,143	29,089,618
Loans from customers	2,748,737	3,740,046
Bonds issued	79,753,966	76,107,718
Notes payable	363,575	326,213
Total borrowings-non-current portion	**166,109,523**	**155,187,362**
Current portion		
Bank term loans	7,070,732	12,237,106
Bonds issued	886,287	991,428
Loan from Samruk-Kazyna	2,525,404	2,464,830
Loans from customers	815,491	47,818
Total borrowings-current portion	**11,297,914**	**15,741,182**
Total borrowings	**177,407,437**	**170,928,544**

20 Borrowings (continued)

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

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Samruk-Energy		
Loan from Samruk-Kazyna	30,804,906	31,554,448
Eurobonds	79,552,885	75,118,535
Total Samruk-Energy	**110,357,791**	**106,672,983**
AZhC		
Halyk Bank	-	5,221,048
Loans from customers	2,782,569	3,155,412
Notes payable	363,575	326,213
Total AZhC	**3,146,144.00**	**8,702,673**
Moinak HPS		
State Development Bank of China	28,838,359	29,612,716
Development Bank of Kazakhstan	17,663,395	16,079,425
Total Moinak HPS	**46,501,754**	**45,692,141**
MEDC		
Bonds issued	864,532	1,684,113
Loans from customers	781,660	830,513
Total MEDC	**1,646,192**	**2,514,626**
Almaty Power Station		
VTB Bank Kazakhstan	3,015,760	3,905,482
KazInvestBank	2,515,801	-
Kazkommertzbank	-	1,399,764
Citibank Kazakhstan	690,000	690,213
Total Almaty Power Station	**6,221,561**	**5,995,459**
Aktobe TES		
BankCentreCredit	-	299,636
Total Aktobe TES	**-**	**299,636**
AlmatyEnergoSbyt		
Bonds issued	310,477	296,542
Total AlmatyEnergoSbyt	**310,477**	**296,542**
PVES		
Eurasian Development Bank	9,223,518	-
Total PVES	**9,223,518**	**-**
Other borrowings	-	754,484
Total borrowings	**177,407,437**	**170,928,544**

20 Borrowings (continued)

Below table represents carrying amounts and fair values of borrowings.

In thousands of Kazakhstan Tenge	Carrying amounts 2013	2012	Fair values 2013	2012
Bonds	80,640,253	77,099,146	80,640,253	77,250,033
Loans from customers	3,564,228	3,787,864	4,821,746	5,686,270
Borrowings	61,946,834	58,160,873	61,946,834	57,319,985
Notes payable	363,575	326,213	382,559	338,360
Borrowing from Samruk-Kazyna	30,892,547	31,554,448	30,892,547	31,554,448
Total borrowings	**177,407,437**	**170,928,544**	**178,683,939**	**172,149,096**

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.

Bonds

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.

During the first half of 2013 the Group placed bonds on the Kazakhstan Stock Exchange for the total amount of Tenge 2,956,595 thousand with a coupon rate of 6%. Bonds are repayable in November 2015.

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.

20 Borrowings (continued)

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 2013 were Tenge 2,808,151 thousand (31 December 2012: Tenge 3,155,412 thousand). The difference between consideration received and its fair value is recognised as deferred income. As of 31 December 2013 deferred income was Tenge 3,793,578 thousand (31 December 2012: Tenge 4,815,050 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 2013, amortisation of deferred income was Tenge 438,723 thousand (the year ended 31 December 2012: Tenge 471,979 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 2013 the borrowings were repaid.

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.

20 Borrowings (continued)

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. Under the agreement with Kazinvestbank, during 2013 The Company has obtained additional funds to the amount 2,515,801 thousand.

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. Starting from 15 June 2012 the interest rate was decreased to 8% per annum.

On 21 May, 2013 the company signed additional agreement pursuant to which Tenge 30,000 thousand should be provided as collateral for the credit line.

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. During the year 2013, Company has received additional funds to the amount of 1,784,632 thousands under the provision of third tranche.

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 392,809 thousand.
- Construction in progress items in the amount of Tenge 492,961 thousand (2011: Tenge 1,293,563 thousand), and also all capitalized expenditures of future periods.
- Property, plant and equipment with carrying amount of Tenge 3,121,585 thousand (2012: Tenge 3,846,696 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 not be used. 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.

20 Borrowings (continued)

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. Further in February 2013 the company repaid 4th emission of coupon bonds in amount of Tenge 790,000 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 2013 the Company repaid long term loans in the amount of Tenge 194,814 thousands (2012: Tenge197,859 thousand), according to the repayment schedule. The "unwinding" of present value discount recognized in the same period was Tenge 146,268 thousand (2012: Tenge 152,057 thousand).

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 the year 2012, the company placed 13,372 thousand bonds. During 2013 the company placed 10,659 thousand bonds. As of 31 December 2013 there are 290,061 thousand bonds outstanding each with a nominal par value of Tenge 1 and fixed interest of 15% per annum.

20 Borrowings (continued)

The Group's borrowings mature as follows:

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Borrowings due:		
- within 1 year	11,297,914	15,741,182
- from 2 to 5 years	93,241,547	73,954,803
- over 5 years	72,867,976	81,232,559
Total borrowings	**177,407,437**	**170,928,544**

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	64,812,618	51,945,877
- US Dollars	112,594,819	118,982,667
Total borrowings	**177,407,437**	**170,928,544**

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 2013.

21 Other Non-Current Liabilities

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Deferred income:		
- AZhC	3,793,578	4,815,050
- MEDC	1,664,159	1,731,288
Trade payables	912,182	1,057,327
Liabilities related to preference shares of subsidiaries	44,000	107,737
Other	387,916	163,433
Total other non-current liabilities	**6,801,835**	**7,874,835**

Deferred income represents the 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 20), 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 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**
Balance at 1 January 2013	4,815,050	1,731,288	6,546,338
Change in the carrying amount of loans from customers adjusted against deferred income	(582,749)	-	(582,749)
Recognition of income	(438,723)	(67,129)	(505,852)
Balance at 31 December 2013	**3,793,578**	**1,664,159**	**5,457,737**

22 Provisions for Liabilities and Charges

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Payables to Almaty city Akimat	-	7,274,672
Provision on claim of a contractor on construction of Moinak HPS	1,932,705	1,959,620
Legal claim from Bastau	68,000	135,507
Other	52,888	58,661
Total	**2,053,593**	**9,428,460**

Details of the legal claim from Bastau and the provision for the claim of a contractor (Moinak) are disclosed in Note 32.

Payable to Almaty Akimat

On 30 June 2005 the Company, KazTransGas and Halyk Bank of Kazakhstan signed an agreement pursuant to which KazTransGas accepted and settled the Company's liability to Halyk Bank of Kazakhstan in the amount of USD 46,600 thousand and Tenge 1,941,568 thousand. In addition, in accordance with the agreement, as collateral of amount payable by the Company, KazTransGas was entitled to the property of AIES principal divisions which was previously pledged to Halyk Bank of Kazakhstan as collateral for the Company's liability.

Subsequently KazTransGas released the above property from pledge, and Akimat, at the moment being the Company's shareholder, provided buildings of hotel Kazakhstan and hotel Almaty located in Almaty city as collateral for the amount payable by the Company 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 payable by the Company to KazTransGas. However, no formal agreement regarding repayment of the liability was signed between the Company, KazTransGas and Akimat.

On 14 August 2008 the Company and Akimat signed an agreement on repayment of the liability of Tenge 7,274,672 thousand. According to the repayment schedule, the liability was to be repaid until March 2010.

In 2009, Akimat requested the Company in a judicial procedure to repay the liability of Tenge 7,274,672 thousand. In the beginning of 2010 the case was dismissed due to absence of representatives from Akimat in court. In 2011, Samruk-Energy filed a claim against previous management of the Company for exceeding of authority by management on signing the above agreement in 2008. The Interdistrict economic court of Astana city dismissed the claim.

In April 2013, MPUI "Financial administration of Almaty city" filed a claim with the Specialised Interdistrict Economic Court against the Company on collection of Tenge the principle amount, penalties and government duty.

On 5 June 2013 by the decision of the Specialised Interdistrict Economic Court the claims of the Financial administration of Almaty city against the Company were sustained partially, specifically in respect of collection from the Company of a liability of Tenge 7,274,672 thousan, penalties of Tenge 929,907 thousand and government duty of Tenge 246,473 thousand in favour of the Financial administration of Almaty. On 16 September 2013, the Company paid the government duty of Tenge 246,473 thousand.

On 14 February 2014 Akimat and the Company signed an amicable agreement on the settlement order of the Company's liabilities, according to which payable to Akimat would be considered fulfilled and which guarantees no future claims to the Company.Under the agreement, the Company is obliged to accept ownership of all power lines being in communal ownership and beneficial ownership of Akimat, write off the debt of AITS of Tenge 433,158 thousand and pay Akimat Tenge1,000,000 thousand during 2014.

At 31 December 2013 the payable to Akimat amounted to Tenge 7,274,672 thousand (2012: Tenge 7,274,672 thousand). The Company did not recognise provision in the amount of Tenge 929,907 thousand of penalties, as the Company does not expect future outflows, related to this claim. The Company will de-recognise the payable in 2014, when it will be released from its payment, i.e. at the moment of actions fulfilment by the parties of the amicable agreement. The amount of payable to Almaty Akimat was reclassified to Accounts payable, since it is expected to be settled in 2014 (Note 23).

23 Trade and Other Payables

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Trade payables	13,026,360	26,334,538
Payable to Almaty Akimat	7,724,672	
Payable to Samruk-Kazyna	-	3,990,000
Dividends payable	657,609	257,085
Other financial payables	381,434	362,576
Total financial payables	**21,790,075**	**30,944,199**
Advances received from suppliers and contractors	5,269,133	1,939,096
Salaries payable	1,075,607	1,307,989
Accrued provisions for unused vacations	1,126,461	655,107
Other payables	507,104	465,832
Total trade and other payables	**29,768,379**	**35,312,223**

24 Revenue

In thousands of Kazakhstan Tenge	2013	2012
Sale of electricity	107,015,853	71,366,847
Sale of heat energy	14,223,835	14,028,259
Electricity transmission	11,472,060	6,601,746
Income from lease of investment property	1,883,937	1,495,019
Sale of chemical water	955,130	998,811
Other	292,847	67,129
Total revenue	**135,843,663**	**94,557,811**

25 Cost of Sales

In thousands of Kazakhstan Tenge	2013	2012
Fuel	19,574,156	20,598,658
Payroll and related expenses	19,749,249	13,705,988
Cost of purchased electricity	24,067,640	12,582,081
Depreciation of property, plant and equipment and amortisation of intangible assets	11,798,309	8,145,973
Repairing and maintenance	6,024,870	5,542,120
Electricity transmission and other services	8,295,539	3,630,988
Materials	1,591,221	3,026,298
Water supply	2,481,966	1,869,548
Electricity losses on transmission	3,836,238	2,109,355
Taxes other than on income	2,600,681	1,741,657
Third party services	81,386	1,630,847
Rent services	199,975	122,035
Reversal of provision on obsolete and slow-moving inventories	(278,925)	(135,277)
Security services	900,316	650,641
Other	3,742,162	1,843,295
Total cost of sales	**104,664,782**	**77,064,207**

26 Other Income, net

In thousands of Kazakhstan Tenge	2013	2012
Income from legal claims	1,327,977	922,857
Reversal of provision on other receivables	-	563,617
Income from connection of additional capacities	513,435	471,979
Income from sale of inventory	180,792	218,414
Management fee on trust management of Ekibastuzkaya GRES-1	-	210,000
Income from liability write-off	309,310	70,364
Other income	627,545	453,299
Impairment of assets	-	(507,285)
Loss on disposal of property, plant and equipment	(121,225)	(239,239)
Other expenses	(88,279)	(218,676)
Total other income, net	**2,749,554**	**1,945,330**

In 2011-2013 the Group addressed Almaty Heating Networks LLP (AHN) a counterclaim on the basis of court judgments on claim from Bastau SPUC to demand compensation in the amount of Tenge 1,030,000 thousand, Tenge 506,441 thousand for 2009 and Tenge 998,466 thousand, which is related to the direct losses from litigation with Bastau SPUC for the year 2010 and the registration fee in the amount of Tenge 29,954 thousand.

In 2012 and 2013, AHN has partially settled the obligation and paid 1,030,000 thousands and 506,441 thousands, respectively. The Repayment schedule in respect of compensations for the year 2010 was agreed with AHN. In accordance with the schedule AHN, is obliged to repay the remaining amount of liability by April 2014.

27 General and Administrative Expenses

In thousands of Kazakhstan Tenge	2013	2012
Payroll and related expenses	5,048,235	3,278,887
Consulting and other professional services	1,045,642	677,397
Taxes other than income tax	365,221	458,537
Depreciation of property, plant and equipment and amortisation of intangible assets	392,878	383,599
Rent expense	511,232	284,158
State duties	382,717	232,516
Donations and public assistance	580,832	184,821
Business trips and representative expenses	261,347	153,404
Materials	162,716	144,167
Bank charges	154,996	128,852
Communication expenses	133,855	84,798
Repair and maintenance	113,171	61,286
Insurance	61,309	34,068
Security services	49,832	32,413
Transportation	45,780	24,895
Reversal/accrual of provision for impairment of trade and other receivables and other current assets	(117,997)	(33,119)
Membership fees	113,311	-
Other	986,331	639,587
Total general and administrative expenses	**10,291,409**	**6,770,266**

28 Finance Income

In thousands of Kazakhstan Tenge	2013	2012
Interest income on bank deposits	3,106,257	1,698,368
Other	187,838	3,298
Total finance income	**3,294,095**	**1,701,666**

29 Finance Costs

In thousands of Kazakhstan Tenge	2013	2012
Interest expense on borrowings	5,868,598	1,780,912
Foreign exchange losses less gains	969,936	173,839
Dividends on preference shares of subsidiaries	118,393	155,493
Unwinding of the present value discount:		
- loans and financial aid from shareholders	1,658,634	2,445,508
- notes payable	37,362	36,590
- employee benefit payable	46,315	47,145
- ash dump restoration provision	27,140	27,508
- loans from customers	523,848	585,139
- bonds issued	41,518	40,163
Other	-	7,815
Total finance costs	**9,291,744**	**5,300,112**

30 Taxes

In thousands of Kazakhstan Tenge	2013	2012
Current income tax expense	2,438,470	1,911,786
Deferred income tax expense	3,179,156	1,610,334
Total income tax expense	**5,617,626**	**3,522,120**

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

In thousands of Kazakhstan Tenge	2013	2012
Profit before tax under IFRS	**47,585,572**	**22,093,625**
Theoretical tax expense at average statutory rate of 19.06% (2012: 20%)	9,069,810	4,418,725
Adjustments for:		
Share of profit of joint ventures not subject to income tax	(6,028,819)	(2,635,317)
Non-deductible expenses	613,222	262,744
Non-taxable income	(79,448)	-
Adjustment of prior years income tax	-	709
Withholding tax	293,618	301,373
Temporary differences that will be recognised upon termination of investment contract	860,475	647,969
Changes in unrecognised deferred income tax assets	888,768	525,917
Total income tax expense	**5,617,626**	**3,522,120**

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 2013	Charged/ credited) to profit or loss	31 December 2013
Tax effect of deductible temporary differences			
Tax losses carried forward	5,684,833	1,177,808	6,862,641
Employee benefit obligation	163,150	104,899	-
Trade and other payables	42,017	(44,006)	(1,989)
Ash dump restoration provision	76,746	24,904	101,650
Inventories	208,921	(32,108)	176,813
Trade and other receivables	74,391	102,844	177,235
Taxes other than income tax	5,496	47,770	53,266
Provision for unused vacation	95,095	(27,693)	67,402
Other	43,130	18,172	61,302
Gross deferred income tax assets	**6,393,779**	1,372,592	7,766,369
Unrecognised gross deferred income tax assets	(525,917)	(888,768)	(1,414,685)
Less offsetting with deferred income tax liabilities	(5,867,862)	(483,824)	(6,351,684)
Recognised deferred income tax assets	-	-	-
Tax effect of taxable temporary differences			
Property, plant and equipment	(9,052,492)	(4,052,088)	(13,104,580)
Borrowings	(4,076,275)	402,535	(3,673,740)
Other	346,255	(13,426)	332,831
Gross deferred income tax liabilities	(12,782,512)	(3,662,980)	(16,445,490)
Less offsetting with deferred income tax assets	5,867,862	(483,824)	(6,351,684)
Recognised deferred income tax liabilities	**(6,914,650)**	**(3,179,156)**	**(10,093,806)**

30 Taxes (continued)

In thousands of Kazakhstan Tenge	1 January 2012	Charged/ (credited) to profit or loss	Credited to equity	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	38,211		163,150
Trade and other payables	170,790	(128,773)		42,01
Inventories	269,653	(60,732)		208,92
Trade and other receivables	19,899	54,492		74,39
Provision for unused vacation	111,205	(16,110)		95,09
Accruals	32,516	44,230		76,74
Other	54,269	(5,643)		43,13
Gross deferred income tax assets	**5,101,726**	1,292,053		6,393,779
Unrecognised gross deferred income tax assets	-	(525,917)		(525,917)
Less offsetting with deferred income tax liabilities	(5,101,726)	(766,136)		(5,867,862)
Recognised deferred income tax assets	**-**	**-**	**-**	
Tax effect of taxable temporary differences				
Property, plant and equipment	(6,543,743)	(2,508,749)		(9,052,492)
Borrowings	(3,712,597)	(363,678)		(4,076,275)
Other	-	346,255		346,255
Gross deferred income tax liabilities	**(10,256,340)**	**(2,526,172)**		**(12,782,512)**
Less offsetting with deferred income tax assets	5,101,726	766,136	-	5,867,862
Recognised deferred income tax liabilities	**5,154,614**	**(1,760,036)**	**-**	**(6,914,650)**

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 6,028,819 thousand in 2013 (2012: Tenge 2,296,930 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 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 6,862,641 thousand (2012: Tenge 5,684,833 thousand). The tax loss carry forwards expire as follows:

In thousands of Kazakhstani Tenge	2013	2012
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	2,544,186	1,366,833
Total tax loss carry forwards	**6,862,641**	**5,684,833**

30 Taxes (continued)

Taxes payable

In thousands of Kazakhstan Tenge	31 December 2013	31 December 2012
Income tax	168,138	138,206
Income tax payable	**168,138**	**138,206**
VAT	825,338	584,414
Individual income tax	244,706	221,412
Environmental taxes	168,337	157,383
Social tax	207,876	171,341
Other taxes	93,874	181,280
Taxes payable other than income tax	**1,540,131**	**1,315,830**
Total taxes payable	**1,708,269**	**1,454,036**

31 Discontinued Operations

SESS, which is part of the other reportable segments (Note 5), is presented as a discontinued operation following the approval for its sale by the Group's management on 30 December 2013. The Group has completed the sale transaction in February 2014.

An analysis of the result of discontinued operations, and the result recognised on the remeasurement of assets or disposal group is as follows:

In thousands of Kazakhstan tenge	2013	2012
Revenue	2,302,235	-
Expenses	(2,346,920)	-
Share in profit of joint ventures and associates	-	60,100
Profit/(loss) before tax of discontinued operations	(44,685)	60,100
Income tax benefit relating to loss before tax of discontinued operations	8,937	-
Profit/(loss) after tax of discontinued operations	(35,748)	60,100
Pre-tax loss recognised on the remeasurement of net assets constituting the discontinued operation to the lower of carrying amount and fair value less costs to sell	(69,675)	-
Income tax effect of remeasurement	13,887	-
Profit/(loss) for the year from discontinued operations	(91,536)	60,100

An analyses of the cash flows of discontinued operations is as follows:

In thousands of Kazakhstan tenge	2013	2012
Operating cash flows	200,173	-
Investing cash flows	370,493	-
Financing cash flows	(400,000)	-
Total cash flows	**170,666**	**-**

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 2013 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.

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 PUC claim

In 2010, Bastau Public Utility Company ("Bastau PUC"), providing cold water supply services to ALES, filed a claim to the court with the requirement on forcing ALES to apply the Bastau PUC calculation procedure starting from 1 January 2009 when calculating the cost of services on cold water supply. Bastau PUC calculation procedure envisages the calculation of cost of services of cold water supply provided to ALES on the basis of information on the levels of hot water distribution to customers obtained from Almaty Heat Network (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 PUC established for the respective customers groups. The amounts of the Bastau PUC claim for the years 2009 and 2010 were 1,030,000 thousand and 970,000 thousand respectively. ALES has lost the courts for the year 2009 and 2010 and has paid the full amount of the claim.

32 Contingencies, Commitments and Operating Risks (continued)

Management of ALES believes that as part of its operations on the chemical treatment of water and bringing it to the hot state, it has no any obligations to cover the quantitative losses associated with the standard and excessive water loss during its circulation to the point of distribution to customers which is requested in a claim filed by Bastau.

In 2012 and 2013, AHN provided information on water consumption by consumer groups for 2012 and 2011 respectively, specifying quantitative indicators on normative and excessive water loss. Data provided by AHN differs from those calculated by ALES, based on their own measurement, on the volumes of AHN normative losses and volumes of water used by AHN for their own needs. Management of ALES has estimated the probability of the similar litigation from Bastau PUC fro provision of cold water supply services for the years 2011 and 2012 in relation to excessive losses by AHN and water used on need by AHN as high and accrued provision to the total amount of Tenge 68,000 thousand which includes provision for services on cold water supply for 2012.

In December 2012, Specialized Interdistrict Economic Court of Almaty commenced legal proceedings to recover from ALES debt provision of cold water for the year 2011 to the amount of Tenge 933,209 thousand. In 2013, the specialized inter-district court of Almaty issued decision, dated 26 March 2013, to grant Bastau PUC claim in full. ALES filed a complaint to Almaty City Court against this decision. Order dated 7 June, 2013 the appellate judicial panel of the Almaty City Court satisfied the appeal of the company. Management of the company believes it can defend its position in the event of a Bastau PUC appeal against the ruling of appellate judicial panel of the Almaty City Court. Therefore, no additional provisions for the years 2011 and 2012 are presented in these consolidated financial statements.

In 2011 and 2012 ALES filed a counter-claim against AHN, demanding compensation for direct losses from litigation with Bastau PUC, in the amount of Tenge 1,030,000 thousand in 2009 and Tenge 506,441 thousand for the rest of 2009. Court decisions were in favor of ALES. In 2012 and 2013 AHN fulfilled its obligations.

In the first half of 2013 ALES filed a claim against AHN for the recovery of losses in the amount of Tenge 998,466 thousand and state duty in the amount of 29,954 thousand tenge, for the year 2010. On 7 June, 2013 according to the decision of specialised interdistrict court of Almaty the claim was satisfied. However AHN filed an appeal in the Almaty city court to cancel the decision of specialized interdistrict court of Almaty. Management of ALES believes that position can be defended in case of court appeal from AHN. The Group has recognized income to the amount of Tenge 998,446 thousand for the year ended 31 December 2013.

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 2013 the carrying amount of ash dump restoration provision was Tenge 508,248 thousand (31 December 2012: Tenge 365,090 thousand)

32 Contingencies, Commitments and Operating Risks (continued)

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 2013 the Group had contractual commitments to purchase the property, plant and equipment for Tenge 35,660,956 thousand, excluding capital commitments of Joint Ventures (31 December 2012: Tenge 16,710,699 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.

Capital commitments of joint ventures

As at 31 December 2013 the Group's share in capital expenditure commitments of Forum Muider, Ekibastuzkaya GRES-1 and Ekibastuzskaya GRES-2 comprised Tenge 105,829,998 thousand (31 December 2012: Tenge 57,500,599 thousand). ZhGRES does not have any material capital expenditure commitments as at 31 December 2013.

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 2013 of Tenge 15,257,240 thousand (31 December 2012: Tenge 28,693,640 thousand). As of 31 December 2013 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 15,549,150 thousand (31 December 2012: Tenge 26,293,310 thousand).

Investment commitments of joint ventures

As at 31 December 2013 the Group's share in investment commitments of Ekibastuzkaya GRES-1 and Ekibastuzskaya GRES-2 comprised Tenge 42,377,350 thousand (31 December 2012: Tenge 57,500,599 thousand). ZhGRES does not have any material investments commitments as at 31 December 2013.

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.

Management has estimated that the obligation amounted Tenge 1,959,620 thousands. Group has recorded provision, increasing the value of fixed assets at 31 December 2012.

In subsequent negotiations between Moinak HPS and contractor, Moinak HPS hired external expert to evaluate difference between the Moinak HPS and contractor. Under the agreement, the expert opinion should cover the following issues: whether the additional work to remove water seepage, with geological landslides, road construction , to ensure the safety of operations, as well as costs associated with power shortages and other costs to include and whether these costs are associated with unexpected factors, and whether the claim is legitimate, taking into account the provisions of the agreement concluded between the Company and contractor and legal requirements of the Republic of Kazakhstan, if such costs are additional and are reimbursable by the Company to estimate the amount of such costs and the validity of their remittance .

As part of the agreement, external expert hired various subcontractors, including Institute of Geophysical Research. In December 2013 external expert provided a report, which presented the results of the different geophysical surveys, as well as the view that the additional work performed by contractor and incurred costs to be reimbursed by the Company. Overall actual costs incurred by the contractor are estimated at 14,430,866 USD, including VAT. At the date of issue of these consolidated financial statements, the report provided by external expert was not finalized and agreed upon between the Company and the Contractor. At the same time, on 31 December, 2013 the Company has adjusted the amount of liabilities and reduced them to Tenge 1,932,705 thousand (Note 22).

32 Contingencies, Commitments and Operating Risks (continued)

Contingencies of joint ventures

As of 31 December 2013 the joint ventures of the Group do not have any material contingencies except for capital expenditure commitments described above (2012: 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 2013 and 31 December 2012.

33 Financial Instruments by Category

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

In thousands of Kazakhstan Tenge	**31 December 2013**	**31 December 2012**
Loans and receivables		
Cash and cash equivalents	15,241,998	94,991,109
Restricted cash	5,235,732	4,025,977
Term deposit	58,401,465	6,752,273
Financial receivables	10,728,727	9,244,154
Dividends receivable	281,239	272,149
Short term loans	3,702,847	4,907,209
Held to maturity		
Bonds	3,613,997	-
Total financial assets	**97,206,004**	**120,192,871**
Financial liabilities carried at amortised cost		
Borrowings	177,407,438	170,928,544
Financial payables	21,790,075	30,944,199
Non-current trade payables	912,182	1,057,327
Other financial liabilities	44,000	107,737
Total financial liabilities	**200,153,694**	**203,037,807**

34 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 Note 14.

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.

34 Financial Risk Management (continued)

The table below shows credit ratings of Standard&Poors agency on banks with placed cash and cash equivalents, term deposits and restricted cash:

In thousands of Kazakhstani tenge	2013	2012
BBB- (outlook negative)	4,445,740	3,746,029
BB (outlook negative)	6,245,586	12,249,548
B+ (outlook stable)	3,162,196	3,701,059
B (outlook negative)	28,231,267	69,630,251
B- (outlook negative)	13,627,200	9,398,265
CCC (outlook negative)	15,364,318	4,189,307
D	6,696,917	917,345
Not available	1,105,971	1,937,555
Total cash and cash equivalents, term deposits and restricted cash	**78,879,194**	**105,769,359**

(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 2013					
Borrowings	409,688	9,611,461	6,106,821	132,827,646	89,504,029
Other non-current financial liabilities	-	-	-	912,182	-
Trade and other payables	8,009,547	2,606,886	11,173,642	-	-
Total financial liabilities	**8,419,235**	**12,218,347**	**17,280,463**	**133,739,828**	**89,504,029**
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	-	-	-	1,057,327	107,737
Trade and other payables	25,920,393	2,460,784	2,563,022	-	-
Total financial liabilities	**32,338,947**	**5,967,647**	**10,781,581**	**118,831,946**	**98,588,567**

(c) Market risk

Currency risk

The Group's certain borrowings (Note 20) and trade payables (Note 23) 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.

34 Financial Risk Management (continued)

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 2013				
Assets	57,804,045	84,303	1	57,888,349
Liabilities	(112,590,590)	(311,865)	(1,520)	(112,903,974)
Net position	**(54,786,546)**	**(227,562)**	**(1,518)**	**(55,015,626)**
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 2013, if Tenge had weakened/strengthened by 30% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 13,148,771 thousand (31 December 2012: decreased by Tenge 17,730,734 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated borrowings.

At 31 December 2013, if Tenge had weakened/strengthen by 30% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 236,665 thousand (31 December 2012: decreased/increased by Tenge 68,269 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 2013 (2012: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 5,874 thousand (2012: Tenge 3,508 thousand) less, mainly as a result of higher interest expense on floating interest rate liabilities.

If interest rates had been 100 basis points lower at 31 December 2013 (2012: 100 basis points), with all other variables held constant, profit for the year would have been Tenge 5,874 thousand (2012: Tenge 3,623 thousand) higher, mainly as a result of lower interest expense on floating interest rate liabilities.

34 Financial Risk Management (continued)

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 2013**	**31 December 2012**
Total borrowings	20	177,407,437	170,928,544
Less:			
Cash and cash equivalents	16	15,241,998	(94,991,109)
Net borrowings		162,165,439	75,937,435
Total equity		384,610,803	295,388,648
Total capital		**546,776,242**	**371,326,083**
Gearing ratio		**30%**	**20%**

35 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. The carrying amounts of cash and cash equivalents, term deposits, restricted cash, bonds and financial receivables approximate to their 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.

36 Events Occurring After the Reporting Period

Kazakhstani tenge devaluation

On 11 February 2014 the National Bank of the Republic of Kazakhstan decided to stop supporting the Tenge exchange rate and decrease currency interventions. As a result, the exchange rate of Tenge depreciated to 185 Tenge for 1 USD. Prior to authorisation of these financial statements the Group recognised a foreign exchange losses approximate to Tenge 23 billion in relation to its US Dollar borrowing, partially offset from other sundry net gains from other net monetary foreign currency balances.

GRES-1 acquisition

In December 2013, the Group has entered into agreement with Kazakhmys plc for the acquisition of remaining 50% share in EGRES-1 for the total consideration of USD 1.3 billion. Completion of the transaction is expected in the first half of 2014.