SAMRUK-ENERGY JSC

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

30 June 2013

(Translated from the Russian original)

Contents

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated interim financial statements of JSC Samruk-Energy and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as at 30 June 2013 and the consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated interim financial statements
Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of consolidated interim 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 interim 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 interim financial statements are free from material misstatement.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated interim financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2013, and of its financial performance and cash flows for the six-month period then ended in accordance with International Accounting Standards 34 "Interim Financial Reporting".

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
16 August 2013

Approved and signed by:

Dana Inkarbekova
Managing Director, PricewaterhouseCoopers LLP
(General State License from the Ministry of Finance of The Republic of Kazakhstan
№ 0000005 dated 21 October 1999)
Auditor in charge
(Qualified Auditor's Certificate
№ 0000492 dated 18 January 2000)

In thousands of Kazakhstani Tenge	Note	30 June 2013	31 December 2012 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	212,239,585	205,150,447
Investment property	10	876,502	928,061
Intangible assets	8	1,137,646	1,183,018
Exploration and evaluation asset	9	8,864,039	8,464,970
Investments in joint ventures and associates	11	178,838,621	168,230,037
Other non-current assets	12	15,060,015	6,716,368
Total non-current assets		**417,016,408**	**390,672,901**
Current assets			
Inventories	13	7,107,527	7,950,085
Trade and other receivables	14	7,435,301	9,456,279
Other current assets	15	34,412,815	23,576,939
Income tax prepaid		913,110	1,709,638
Cash and cash equivalents	16	73,481,998	94,991,109
Assets of disposal group, classified as held-for-sale		-	320,000
Total current assets		**123,350,751**	**138,004,050**
TOTAL ASSETS		**540,367,159**	**528,676,951**

Signed on behalf of management on 16 August 2013.

Gulbanu Pazylkhairova
Deputy Chairman of Management Board

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

In thousands of Kazakhstani Tenge	Note	30 June 2013	31 December 2012 (Restated)
EQUITY			
Share capital	17	233,946,321	222,868,957
Other reserves	17	24,922,624	36,284,503
Retained earnings		54,145,447	34,236,867
Equity attributable to the Group's equity holders		**313,014,392**	**293,390,327**
Non-controlling interest		2,750,961	1,998,321
TOTAL EQUITY		**315,765,353**	**295,388,648**
LIABILITIES			
Non-current liabilities			
Ash dump restoration provision		345,384	121,031
Employee benefit obligations	18	1,078,893	956,655
Borrowings	19	165,355,298	155,187,362
Other non-current liabilities	20	9,023,645	7,874,835
Deferred income tax liabilities	29	7,720,293	6,914,650
Total non-current liabilities		**183,523,513**	**171,054,533**
Current liabilities			
Ash dump restoration provision		-	244,059
Borrowings	19	8,086,790	15,741,182
Employee benefit obligations	18	70,427	53,810
Provisions for liabilities and charges	21	10,524,176	9,428,460
Trade and other payables	22	20,569,904	35,312,223
Taxes payable and other payables to budget	29	1,226,486	1,315,830
Income tax payable	29	600,510	138,206
Total current liabilities		**41,078,293**	**62,233,770**
TOTAL LIABILITIES		**224,601,806**	**233,288,303**
TOTAL LIABILITIES AND EQUITY		**540,367,159**	**528,676,951**

Signed on behalf of management on 16 August 2013.

Gulbanu Pazylkhairova
Deputy Chairman of Management Board

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

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Revenue	23	69,819,333	47,528,892
Cost of sales	24	(51,059,310)	(36,198,072)
Gross profit		**18,760,023**	**11,330,820**
Other income, net	25	827,501	1,579,532
Distribution costs		(36,059)	(74,308)
General and administrative expenses	26	(4,807,165)	(3,595,360)
Share of profit of joint ventures and associates	11	14,500,579	5,238,629
Finance income	27	1,837,058	824,213
Finance costs	28	(4,590,240)	(2,564,418)
Profit before income tax		**26,491,697**	**12,739,108**
Income tax expense	29	(3,067,303)	(2,064,143)
Profit for the period from continuing operations		**23,424,394**	**10,674,965**
Profit from discontinued operations		50,493	-
Profit for the period		**23,474,887**	**10,674,965**
Other comprehensive income		-	-
Total comprehensive income for the period		**23,474,887**	**10,674,965**
Profit is attributable to:			
Equity holders of the Group		22,722,247	10,631,910
Non-controlling interest		752,640	43,055
Profit for the period		**23,474,887**	**10,674,965**
Total comprehensive income attributable to:			
Equity holders of the Group		22,722,247	10,631,910
Non-controlling interest		752,640	43,055
Total comprehensive income for the period		**23,474,887**	**10,674,965**
Earnings per share			
Earnings per share basic and diluted, (Tenge)	17	4,173	2,100

In thousands of Kazakhstani 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 period		-	-	10,631,910	10,631,910	43,055	10,674,965
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	10,631,910	10,631,910	43,055	10,674,965
Share issue	17	954,008	-	-	954,008	-	954,008
Dividends	17	-	-	(4,438,251)	(4,438,251)	-	(4,438,251)
Balance at 30 June 2012		**121,248,892**	**29,471,162**	**26,110,998**	**176,831,052**	**2,185,342**	**179,016,394**
Balance at 1 January 2013 (restated)		**222,868,957**	**36,284,503**	**34,236,867**	**293,390,327**	**1,998,321**	**295,388,648**
Profit for the period		-	-	22,722,247	22,722,247	752,640	23,474,887
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	22,722,247	22,722,247	752,640	23,474,887
Share issue	17	11,077,364	(11,077,364)	-	-	-	-
Merger reserve		-	(284,515)	-	(284,515)	-	(284,515)
Dividends	17	-	-	(2,813,667)	(2,813,667)	-	(2,813,667)
Balance at 30 June 2013		**233,946,321**	**24,922,624**	**54,145,447**	**313,014,392**	**2,750,961**	**315,765,353**

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Cash flows from operating activities			
Profit before income tax		26,491,697	12,739,108
Adjustments for:			
Depreciation and amortisation		5,955,229	4,080,417
(Gains) / losses on disposal of property, plant and equipment		(96,384)	103,605
Gain on sale of assets held for sale		(50,493)	-
Charge / (reversal) of provision for impairment of trade and other receivables		(320,485)	322,234
Reversal of provision on obsolete and slow-moving inventories		(6,641)	(195,057)
Amortisation of income from connection of additional capacities		(268,628)	(238,088)
Unrealised foreign exchange losses less gains	28	319,869	56,819
Losses on write-off of housing expenses		-	272,000
Current service cost and actuarial losses on employee benefits		147,827	-
Provisions for liabilities and charges		1,095,716	-
Finance costs	28	4,270,371	2,507,599
Finance income	27	(1,837,058)	(824,213)
Share of profit in joint ventures and associates	11	(14,500,579)	(5,238,629)
Income from assets received free of charge		-	(108,904)
Other adjustments		(30,650)	5,382
Operating cash flows before working capital changes:		**21,169,793**	**13,482,273**
(Increase) / decrease in trade and other receivables and other current assets		2,535,687	(3,041,503)
Decrease in inventories		541,598	3,228,649
Decrease in trade and other payables		(3,502,948)	(2,612,743)
Decrease in employee benefits payable		(39,234)	(8,284)
Decrease in taxes payable		(89,344)	-
Cash generated from operations		**20,615,552**	**11,048,392**
Income tax paid		(1,095,124)	(1,698,057)
Interest paid		(2,363,229)	(1,882,660)
Dividends received		1,816,170	1,658,366
Net cash from operating activities		**18,973,369**	**9,126,041**
Cash flows from investing activities			
Purchase of property, plant and equipment		(18,827,982)	(10,681,005)
Acquisition of intangible assets		(58,095)	(49,261)
Capitalised revenue		-	832,672
Acquisition of shares in subsidiaries		(15,319)	-
Prepayments for purchase of long-term assets, net		(8,835,631)	(215,644)
Interest income received		1,339,301	661,188
Proceeds from sale of interest in associates		370,493	7,556,910
Placement repayment of bank deposits, net		(13,293,281)	(2,705,341)
Loans given		(1,919,556)	-
Repayment of loans given		4,643,931	-
Others		17,853	74,213
Net cash used in investing activities		**(36,578,286)**	**(4,526,268)**
Cash flows from financing activities:			
Proceeds from issue of shares	17	-	954,008
Proceeds from issue of bonds		2,956,595	-
Proceeds from borrowings		15,070,124	6,306,755
Repayment of borrowings		(16,564,600)	(10,617,671)
Repayment of bonds		(790,190)	(500,000)
Dividends paid to shareholders		-	(1,479,417)
Dividends paid to non-controlling interest holders		(235,526)	(54,010)
Repayment of loans from customers		(604,296)	(396,880)
Other receipts from / payables to shareholders		(3,991,200)	3,990,000
Others		21,688	9,096
Net cash used in financing activities		**(4,137,405)**	**(1,788,119)**
Foreign exchange difference effect on cash & cash equivalents		233,211	-
Net (decrease) / increase in cash		**(21,509,111)**	**2,811,654**
Cash at the beginning of the year		94,991,109	49,844,147
Cash at the period end		**73,481,998**	**52,655,801**

1 Samruk-Energy Group and Its Operations

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for six months ended 30 June 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 17).

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

Principal activity

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

Principal subsidiaries and joint ventures

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

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

Alatau Zharyk Company JSC ("AZhC") (100%): an entity incorporated in the Republic of Kazakhstan, transferred to the Group in July 2009 from KazTransGaz, and mainly engaged in electricity transmission and distribution in Almaty and the Almaty region. AZhC owns 100% of share capital of Aktobe Thermal Power Station JSC and 38.63% of share capital of Almaty Power Stations JSC. The remaining share capital in Almaty Power Stations JSC is owned by Samruk-Energy JSC.

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

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

KMG-Energy JSC ("KMG-Energy") (100%): The entity is dormant. As at 30 June 2013 this entity was in the process of liquidation.

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

Samruk-EnergoStroyService LLP ("SESS") (100%): an entity incorporated in the Republic of Kazakhstan, established by the Group in 2009, 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.

1 Samruk-Energy Group and Its Operations (continued)

KazKuat JSC ("KazKuat") (100%): The entity is dormant. As at 31 December 2012 and 30 June 2013 this entity was in the process of liquidation.

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

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

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

Tegis Munai LLP ("Tegis Munai") (100%): In 2012 the Group acquired Tegis Munai, an entity incorporated in the Republic of Kazakhstan 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 2011 and in 2012 Uralenergougol LLC had no significant operations.

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

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

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

Samruk Green Energy LLP (100%): An entity incorporated in the Republic of Kazakhstan, established by the Company in 2012 and 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 plans to construct a solar farm near to Almaty.

1 Samruk-Energy Group and Its Operations (continued)

East-Kazakhstan regional electricity distribution company (100%) ("EKREDC"): Samruk Kazyna had transferred 100% share in EKREDC to the Group in 2013 (Note 17). 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.

Shygys Energo Trade LLP (100%) ("SET"): an entity incorporated in the Republic of Kazakhstan is a 100% subsidiary of EKREK 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: Block E, 17, Kabanbai Batyr Avenue, Astana, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated interim financial statements for the six-month period ended 30 June 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting, 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 interim financial statements are set out below and consistent with those of the previous financial year except for accounting for income taxes. These consolidated interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (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 companies and other entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

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

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

2 Basis of Preparation and Significant Accounting Policies (continued)

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 interim 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 period 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 period 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 interim financial statements are presented in thousands of Kazakhstani 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 30 June 2013 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 151.65 (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 the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

2 Basis of Preparation and Significant Accounting Policies (continued)

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

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

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 interim 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 period 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 period. 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 period. 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 period 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 period on a straight-line basis over the period of the lease.

Inventories

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

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the period. 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;

2 Basis of Preparation and Significant Accounting Policies (continued)

- 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 period.

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

Cash and cash equivalents

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

Non-current assets held for sale and disposal groups

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

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

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

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

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

Share capital

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

Dividends

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

2 Basis of Preparation and Significant Accounting Policies (continued)

Value added tax

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

Provisions

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

Ash dump restoration provision

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

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

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

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the period are taken to profit and loss for the period. 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 period, 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 period the unwinding of the discount on those liabilities is charged to the profit or loss for the period as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

2 Basis of Preparation and Significant Accounting Policies (continued)

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. For those employees, not covered by Collective Labour Agreement payments, upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

Borrowings

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

In accounting for loans from the shareholders with off market terms, the Group records gain on origination within profit and loss for the period 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 interim financial statements.

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

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

Trade and other payables

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

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the period 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.

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

2 Basis of Preparation and Significant Accounting Policies (continued)

Exploration and evaluation assets

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

(i) Recognition and subsequent measurement

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

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

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

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

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

(ii) Impairment of exploration and evaluation assets

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

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

- the period for which the Group entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group entity has decided to discontinue such activities in the specific area;

- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

2 Basis of Preparation and Significant Accounting Policies (continued)

Offsetting

A portion of sales and purchases are settled by offset 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 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 tax expense for the interim period is calculated based on the estimated average of the effective income tax rate, expected for the entire fiscal year.

Income taxes have been provided for in these consolidated interim 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 period except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

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

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

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

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

2 Basis of Preparation and Significant Accounting Policies (continued)

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current 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 7,723,741 thousand. Since the transfer of shares of EKREDC represents a combination of business under common control, these consolidated interim financial statements have been prepared using the predecessor value method. Accordingly, these consolidated interim 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 affect of consolidated financial statements of the Group as of 1 January 2012.

Presented below are the results of such restatement:

In thousands of Kazakhstani Tenge	Effect at 31 December 2012
Increase in property, plant and equipment	4,812,266
Increase in intangible assets	34,770
Increase in other non-current assets	30,310
Increase in inventories	322,731
Increase in trade and other receivables	1,481,397
Increase in other current assets	41,547
Increase in income tax prepaid	48,633
Increase in cash and cash equivalents	325,213
Increase in employee benefit obligations	(9,878)
Increase in deferred income tax liabilities	(149,702)
Increase in borrowings	(754,484)
Increase in provisions for liabilities and charges	(55,404)
Increase in trade and other payables	(2,446,185)
Taxes payable and other payables to budget	(221,496)
Increase in equity	**3,459,718**

The assets and liabilities of the 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) Effect of restatement on individual statement of financial position items at 31 December 2012:

	31 December 2012		
In thousands of Kazakhstani Tenge	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	-	168,230,037
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

2 Basis of Preparation and Significant Accounting Policies (continued)

	31 December 2012		
In thousands of Kazakhstani Tenge	As previously reported	Restatement	Restated
Share capital	222,868,957	-	222,868,957
Other reserves	32,824,785	3,459,718	36,284,503
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

Seasonality of operations. The Group’s operations are exposed to the seasonal fluctuations. Fluctuations in electricity transmission volume, production of heat and electricity relate to heating season from October to April.

Also, the Group’s repair and maintenance works are subject to seasonality. Significant amount of maintenance and repair work are expected to be carried out in second half of 2013 that will significantly increase the Group’s expenses, downtime of energy blocks and decreased level of electricity production.

3 New Accounting Pronouncements

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

IFRS 10, Consolidated interim 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 interim financial statements.

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

3 New Accounting Pronouncements (continued)

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 interim 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 interim 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 interim financial statements was replaced by IFRS 10, Consolidated interim 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 interim 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 interim financial statements.

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

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group expects the amended standard to change presentation of its financial statements, but have no significant impact on consolidated interim 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.

3 New Accounting Pronouncements (continued)

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

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

(ii) Interpretations to existing standards that are not yet effective:

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.

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

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

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

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

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

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

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 30 June 2013 and 31 December 2012 the management reviewed property, plant and equipment for existence of impairment indicators and concluded that there are no 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.

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 30 June 2013 the carrying amount of investment property is Tenge 876,502 thousand (31 December 2012: Tenge 928,061 thousand) (Note 10).

Based on estimation of fair value of investment property (Note 10) at 30 June 2013 the Group did not identify any indication of impairment of investment property (31 December 2012: no indication).

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

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 interim 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.

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 period ended 30 June 2013 would be to increase/decrease it by Tenge 410,787 thousand (30 June 2012: increase/decrease by Tenge 394,628 thousand).

Acquisition of Ekibastuz GRES-1

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

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, income/loss from legal claims, share of profit/(loss) of associates and effects, related to acquisition, such as excess of fair value of interest in identifiable assets and liabilities over cost of investment and other similar effects. Sequence for identification of EBITDA by Group might be different from sequence used by other companies.

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

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

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

(b) Performance of operating segments

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

5 Segment Information (continued)

In thousands of Kazakhstani Tenge	Production of electric energy and heating energy		Electric energy transmission and distribution		Sale of electric energy		Others		Total	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012	30 June 2013	30 June 2012
External revenues	13,626,358	12,305,287	5,732,558	3,078,479	50,221,388	31,401,450	239,029	743,676	69,819,333	47,528,892
Inter-segment revenue	20,239,586	16,629,843	17,660,251	9,783,561	30,693	845,605	386,031	5,970,120	38,316,561	33,229,129
Total revenue	**33,865,944**	**28,935,130**	**23,392,809**	**12,862,040**	**50,252,081**	**32,247,055**	**625,060**	**6,713,796**	**108,135,894**	**80,758,021**
Share of profit of joint ventures	12,250,298	3,325,460	-	-		-	2,258,810	2,007,651	14,509,108	5,333,111
Adjusted EBITDA	**24,105,344**	**12,198,558**	**10,819,980**	**3,343,045**	**331,886**	**353,197**	**546,573**	**1,627,761**	**35,803,783**	**17,522,561**
Depreciation and amortisation	(3,426,391)	(2,532,375)	(2,444,192)	(1,399,964)	(51,587)	(74,330)	(33,059)	(73,746)	(5,955,229)	(4,080,415)
Income/(loss) from legal claims	581,702	1,023,106	(1,176,380)	-	-	-		-	(594,678)	1,023,106
Finance income	103,026	185,894	351,814	540,706	2,964	349	1,379,254	261,470	1,837,058	988,419
Finance costs	(1,655,887)	(542,201)	(957,084)	(902,223)	(62,010)	(28,831)	(1,915,259)	(1,146,826)	(4,590,240)	(2,620,081)
Impairment on property, plant and equipment and intangible assets	1,543	-	-	-	(2,011)	-	-	-	(468)	-
Share of profit of associates	(8,529)	30,000	-	-		-	-	(124,482)	(8,529)	(94,482)
Profit/(loss) before income tax	**19,700,808**	**10,362,982**	**6,594,138**	**1,581,564**	**219,242**	**250,385**	**(22,491)**	**544,177**	**26,491,697**	**12,739,108**
Capital expenditure	20,417,647	8,308,346	7,878,156	5,436,589	33,563	21,238	366,919	4,460	28,696,285	13,770,633

Segment assets/liabilities	**30 June 2013**	**31 December 2012 (restated)**	**30 June 2013**	**31 December 2012 (restated)**	**30 June 2013**	**31 December 2012 (restated)**	**30 June 2013**	**31 December 2012 (restated)**	**30 June 2013**	**31 December 2012 (restated)**
Reportable segment assets	302,319,933	281,556,765	134,681,261	142,461,908	7,875,605	8,372,221	134,234,470	131,146,642	579,111,269	563,537,536
Reportable segment liabilities	80,465,915	82,678,739	49,675,617	61,918,883	7,821,747	7,824,163	115,192,667	116,288,876	253,155,946	268,710,661

5 Segment Information (continued)

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

In thousands of Kazakhstani Tenge	30 June 2013	30 June 2012
Total revenues for reportable segments	107,749,863	74,044,225
Revenues from other operations	386,031	6,713,796
Total revenue	**108,135,894**	**80,758,021**
Inter-segment revenue	(38,316,561)	(33,229,129)
Total consolidated revenues	**69,819,333**	**47,528,892**

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Total reportable segment assets	444,876,799	432,390,894
Assets from other operations	134,234,470	131,146,642
Total assets	**579,111,269**	**563,537,536**
Inter-segment balances	(38,744,110)	(34,860,585)
Total consolidated assets	**540,367,159**	**528,676,951**

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Total reportable segment liabilities	137,963,279	152,421,784
Liabilities from other operations	115,192,667	116,288,876
Total liabilities	**253,155,946**	**268,710,660**
Inter-segment balances	(28,554,140)	(35,422,357)
Total consolidated liabilities	**224,601,806**	**233,288,303**

(f) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 23 (revenue from core activities). Majority of sales of the Group are within Kazakhstan.

(g) Major customers

During six months periods ended 30 June 2013 and 30 June 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 30 June 2013 and 31 December 2012 is detailed below.

6 Balances and Transactions with Related Parties (continued)

At 30 June 2013, the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	28,283	-	172,241	-	822,577
Cash and cash equivalents	4,328,011	-	49,868,167	-	100,006
Other non-current assets	-	-	-	219,751	867
Other current assets	312,935	4,269,730	-	-	-
Borrowings	507,760	-	432	29,933,690	602,626
Trade and other payables	105,215	-	6,957	2,813,667	17,753,441
Provisions for liabilities and charges	-	-	-	-	8,485,438

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

In thousands of Kazakhstani Tenge	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Trade and other receivables	30,744	202,320	650	-	2,137,131
Cash and cash equivalents	4,288,501	-	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 six months ended 30 June 2013 were as follows:

In thousands of Kazakhstani Tenge	Companies under common control	JVs and associates of Samruk-Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Revenue	2,690,942	-	789,030	-	7,970,174
Cost of sales	6,226,040	10,825,995	372	-	1,214,256
General and administrative expenses	214,547	-	-	1,200	3,112
Distribution costs	155	-	-	-	-
Other expenses	7,462	-	-	-	-
Other income	652	-	49,702	-	-
Finance costs	295,074	-	-	1,126,087	296,585
Finance income	157,444	-	1,222	-	527
Gain on foreign exchange	43,971	-	-	-	-

The income and expense items with related parties for six months ended 30 June 2012 were as follows:

In thousands of Kazakhstani Tenge	Companies under common control	JVs and associates of Samruk Energy	JVs and associates of Samruk-Kazyna	Shareholders	Government related entities
Revenue	1,716,637	-	9,567	-	8,315,668
Cost of sales	5,194,643	3,921,308	3,673,613	8,708	824,404
General and administrative expenses	126,218	-	-	-	2,614
Distribution costs	50,064	-	-	-	-
Other expenses	127	-	-	-	-
Other income	663	-	-	-	-
Finance costs	157,937	-	-	1,178,182	-
Finance income	303,772	-	-	-	-
Loss on foreign exchange	51,101	-	-	-	-
Other income	-	-	210,000	-	-

6 Balances and Transactions with Related Parties (continued)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	30 June 2013	30 June 2012
Key management compensation	70,840	52,131
Total key management compensation	**70,840**	**52,131**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 30 June 2013 include 9 persons (30 June 2012: 6 persons).

7 Property, Plant and Equipment

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

In thousands of Kazakhstani 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 2013	**28,619,208**	**64,210,606**	**2,382,814**	**68,812,376**	**164,025,004**
Additions	186,174	539,337	148,787	11,724,551	12,598,849
Capitalised borrowing costs	-	-	-	1,019,809	1,019,809
Transfers	2,982,980	5,279,709	42,456	(8,305,145)	-
Depreciation	(1,415,329)	(2,292,133)	(238,814)	-	(3,946,276)
Disposals	(79,845)	(97,466)	(7,082)		(184,393)
Transfer to other assets	-	-	-	(106,469)	(106,469)
Carrying amount at 30 June 2012	**30,293,188**	**67,640,053**	**2,328,161**	**73,145,122**	**173,406,524**
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 (restated)	**62,043,473**	**99,802,881**	**3,725,050**	**39,579,043**	**205,150,447**
Additions	1,370,391	995,924	306,183	10,060,460	12,732,958
Transfers	807,877	5,331,358	123,291	(6,262,526)	-
Depreciation	(1,770,337)	(3,693,336)	(326,850)	-	(5,790,523)
Disposals	(61,126)	(20,798)	(15,407)	(1,124)	(98,455)
Transfer (to)/from other assets	(343)	926	1,636	242,939	245,158
Carrying amount at 30 June 2013	**62,389,935**	**102,416,955**	**3,813,903**	**43,618,792**	**212,239,585**
Cost at 30 June 2013	78,128,463	135,987,355	6,720,559	43,762,651	264,599,028
Accumulated depreciation and impairment	(15,738,528)	(33,570,400)	(2,906,656)	(143,859)	(52,359,443)
Carrying amount at 30 June 2013	**62,389,935**	**102,416,955**	**3,813,903**	**43,618,792**	**212,239,585**

As at 30 June 2013 no property, plant and equipment (31 December 2012: Tenge 5,608,719 thousand) were pledged as collateral for borrowings received by the Group (ALES) from JSC "Development Bank of Kazakhstan" (Note 19).

As at 30 June 2013 the property, plant and equipment with carrying value of Tenge 5,179,055 thousand (31 December 2012: Tenge 5,140,259 thousand) were pledged as collateral for borrowings received by the Group (Moinak HPS) from JSC "Development Bank of Kazakhstan" (Note 19).

7 Property, Plant and Equipment (continued)

Additions for the six-month period ended 30 June 2013 include capitalized borrowing costs in amount of Tenge 41,710 thousand (six-month period ended 30 June 2012: Tenge 1,019,809 thousand).

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

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Cost of sales	5,674,332	3,840,871
General and administrative expenses	105,869	96,426
Other expenses	10,322	8,979
Total depreciation charge	**5,790,523**	**3,946,276**

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	25,012	111,265	-	136,277
Amortisation charge	(19,707)	(101,779)	-	(121,486)
Carrying amount at 30 June 2012	**64,765**	**661,175**	**-**	**725,940**
Cost at 30 June 2012	112,130	954,615	-	1,066,745
Accumulated amortisation	(47,365)	(293,440)	-	(340,805)
Carrying amount at 30 June 2012	**64,765**	**661,175**	**-**	**725,940**
Cost at 1 January 2013	125,466	1,069,888	490,771	1,686,125
Accumulated amortisation	(88,717)	(414,390)	-	(503,107)
Carrying amount at 1 January 2013 (restated)	**36,749**	**655,498**	**490,771**	**1,183,018**
Additions	586	68,001	-	68,587
Disposals	-	(812)	-	(812)
Amortisation charge	(10,970)	(102,177)	-	(113,147)
Carrying amount at 30 June 2013	**26,365**	**620,510**	**490,771**	**1,137,646**
Cost at 30 June 2013	84,514	1,029,100	490,771	1,604,385
Accumulated amortisation	(58,149)	(408,590)	-	(466,739)
Carrying amount at 30 June 2013	**26,365**	**620,510**	**490,771**	**1,137,646**

8 Intangible Assets (continued)

The Group acquired a local entity First Wind Turbine LLP in December 2012 for Tenge 491 million. The purpose of the acquisition was to obtain the licence and the feasibility study for construction of the first wind turbine power station and other related documents that provide a right to construct a wind farm 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.

10 Investment Property

In thousands of Kazakhstani 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	(51,559)	(51,559)
Cost at 30 June	1,497,162	1,497,162
Accumulated depreciation	(620,660)	(517,542)
Carrying amount at 30 June	**876,502**	**979,620**

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 Kazakhstani Tenge	30 June 2013	30 June 2012
Within 1 year	1,022,500	834,745
Between 1 year and 5 years	4,601,475	4,090,200
Above 5 years	4,978,148	7,601,924
Total future minimum lease payments	**10,602,123**	**12,526,869**

During six months ended 30 June 2013 the Group received income from operating lease of Bukhtarminskaya hydropower station of Tenge 938,977 thousand (six months ended 2012: Tenge 743,676 thousand) (Note 23).

Fair value of the investment property determined as a sum of discounted minimum lease payments, at 30 June 2013 is Tenge 7,993,922 thousand (31 December 2012: Tenge 8,331,538 thousand). For determination of fair value, the Group did not engage an independent appraiser. Fair value of the investment property was determined by discounting future cash flows from lease payments.

11 Investments in Joint Ventures and Associates

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

	Joint ventures				Associates		
In thousands of Kazakhstani Tenge	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	-	-	-	-	2,518,990	-	**2,518,990**
Share of profit/(loss) for the period	3,325,460	2,007,651	-	-	30,000	(124,482)	**5,238,629**
Dividend received	-	(3,994,510)	-	-	-	-	**(3,994,510)**
Balance at 30 June 2012	**27,091,824**	**29,693,961**	**-**	**-**	**2,548,990**	**131,964**	**59,466,739**
Balance at 1 January 2013 (restated)	**29,646,096**	**29,837,320**	**-**	**104,622,506**	**4,124,115**	**-**	**168,230,037**
Share of profit for the period	4,787,954	2,258,810	-	7,462,344	(8,529)	-	**14,500,579**
Dividend received	-	(3,875,220)	-	-	-	-	**(3,875,220)**
Other	(16,775)	-	-	-	-	-	**(16,775)**
Balance at 30 June 2013	**34,417,275**	**28,220,910**	**-**	**112,084,850**	**4,115,586**	**-**	**178,838,621**

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.

ZhGRES receives annual subsidies for purchases of fuel from the Government to compensate its losses from the operating activities. Subsidies are recognised as current period revenue. ZhGRES is a loss making company and therefore investment in the company was impaired. Management of the Group believes that even though ZhGRES has reported income in its interim financial statements it will further incur operating losses during the year and therefore no share of profit of ZhGRES is recognised in the consolidated interim 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.

The Group sold its share in TPEP for Tenge 250,000 thousand in 2013, resulting in Tenge 50,493 thousands gain on disposal.

11 Investments in Joint Ventures and Associates (continued)

In thousands of Kazakhstani Tenge	GRES-2		Forum Muider		ZhGRES		GRES-1		BTES	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Cash and cash equivalents	5,417,057	1,781,230	6,715,451	1,524,761	801,883	282,399	4,963,216	11,406,451	1,798,016	1,174,137
Other current assets	5,933,318	6,071,065	13,103,412	13,621,320	2,588,154	3,036,815	9,115,206	8,892,254	182,706	6,354,352
Total current assets	11,350,375	7,852,295	19,818,863	15,146,081	3,390,037	3,319,214	14,078,422	20,298,705	1,980,722	7,528,489
Property plant and equipment	65,502,266	60,167,976	62,898,655	64,023,836	3,119,246	3,264,521	234,961,482	214,254,317	101,755	63,593
Other non-current assets	51,428,901	45,940,454	14,418,320	14,822,909	8,466	293	2,232,696	2,131,775	14,675,977	9,140,586
Total assets	**128,281,542**	**113,960,725**	**97,135,838**	**93,992,826**	**6,517,749**	**6,584,028**	**251,272,600**	**236,684,797**	**16,758,454**	**16,732,668**
Current financial liabilities	1,849,350	1,243,463	3,892,263	4,189,394	1,648,018	4,907,209	600,000	600,000	-	-
Trade and other paybles	3,175,608	733,925	4,755,128	3,804,204	367,774	726,542	5,250,286	5,303,135	273,015	203,279
Other current liabilities	1,307,632	458,570	10,498,170	6,145,701	173,956	134,982	437,479	968,907	22,437	32,271
Total current liabilities	6,332,590	2,435,958	19,145,561	14,139,299	2,189,748	5,768,733	6,287,765	6,872,042	295,452	235,550
Non-current financial liabilities	47,705,174	46,926,387	8,696,625	7,216,518	-	-	9,981,725	9,976,332	-	-
Other non-current liabilities	5,409,229	5,388,895	12,851,832	12,962,369	194,037	194,037	10,833,411	10,591,411	658	658
Total liabilities	**59,446,993**	**54,751,240**	**40,694,018**	**34,318,186**	**2,383,785**	**5,962,770**	**27,102,901**	**27,439,785**	**296,110**	**236,208**
Net assets	**68,834,549**	**59,209,485**	**56,441,820**	**59,674,640**	**4,133,964**	**621,258**	**224,169,699**	**209,245,012**	**16,462,344**	**16,496,460**
Revenue	20,546,207	17,955,323	47,851,812	37,852,545	10,806,269	8,709,819	42,329,632	41,051,940	-	-
Cost of sales	(8,011,113)	(7,259,625)	(18,702,542)	(16,041,215)	(7,027,796)	(7,621,418)	(19,206,571)	(13,917,826)	-	-
-including depreciation and amortisation	(1,178,483)	(1,005,478)	(4,464,081)	(5,623,552)	(148,444)	(146,247)	(5,761,411)	(3,635,186)	-	-
Gross profit	**12,535,094**	**10,695,698**	**29,149,270**	**21,811,330**	**3,778,473**	**1,088,401**	**23,123,061**	**27,134,114**	**-**	**-**
Operating expenses	(1,592,641)	(2,003,517)	(23,145,423)	(16,195,354)	(266,364)	37,271	(3,236,240)	(2,465,921)	(125,703)	(54,082)
Operating profit	**10,942,453**	**8,692,181**	**6,003,847**	**5,615,976**	**3,512,109**	**1,125,672**	**19,886,821**	**24,668,193**	**(125,702)**	**(54,082)**
Finance income	1,269,893	-	338,033	51,873	1,069	1,656	153,375	887,804	161,149	199,698
Finance costs	(202,739)	(286,657)	(558,590)	(336,627)	-	-	(605,392)	(4,779)	-	-
Profit before tax	**12,009,607**	**8,405,524**	**5,783,289**	**5,331,222**	**3,513,178**	**1,127,328**	**19,434,804**	**25,551,218**	**35,447**	**145,616**
Income tax expense	(2,433,700)	(1,754,604)	(1,265,669)	(1,315,920)	(472)	(1,496)	(4,510,117)	(5,191,359)	(69,561)	-
Profit after tax	**9,575,907**	**6,650,920**	**4,517,620**	**4,015,302**	**3,512,706**	**1,125,832**	**14,924,687**	**20,359,859**	**(34,114)**	**145,616**
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	**9,575,907**	**6,650,920**	**4,517,620**	**4,015,302**	**3,512,706**	**1,125,832**	**14,924,687**	**20,359,859**	**(34,114)**	**145,616**

11 Investments in Joint Ventures and Associates (continued)

The table below demonstrates reconciliation of share of net assets of joint ventures and associates to carrying amount:

	Joint ventures				Associates		
In thousands of Kazakhstani Tenge	**GRES-2**	**Forum Muider**	**ZhGRES**	**GRES-1**	**BTES**	**TPEP**	**Total**
Opening net assets 1 January 2012	**47,532,728**	**63,361,640**	**-**	**-**	**10,075,960**	**1,025,784**	**121,996,112**
Profit for the period	6,650,920	4,015,302	-	-	120,000	(497,928)	10,288,294
Dividends distributed	-	(7,989,020)	-	-	-	-	(7,989,020)
Closing net assets 30 June 2012	**54,183,648**	**59,387,922**	**-**	**-**	**10,195,960**	**527,856**	**124,295,386**
Interest in joint ventures and associates	**27,091,824**	**29,693,961**	**-**	**-**	**2,548,990**	**131,964**	**59,466,739**
Carrying amount of investments in joint ventures and associates	**27,091,824**	**29,693,961**	**-**	**-**	**2,548,990**	**131,964**	**59,466,739**
Opening net assets 1 January 2013 (restated)	**59,209,485**	**59,674,640**	**-**	**209,245,012**	**16,496,460**	**-**	**344,625,597**
Profit for the period	9,575,907	4,517,620	-	14,924,687	(34,115)	-	**28,984,099**
Other comprehensive income	49,157	-	-	-	-	-	49,157
Dividends distributed	-	(7,750,440)	-	-	-	-	(7,750,440)
Closing net assets 30 June 2013	**68,834,549**	**56,441,820**	**-**	**224,169,699**	**16,462,345**	**-**	**365,908,413**
Interest in joint ventures and associates	**34,417,275**	**28,220,910**	**-**	**112,084,850**	**4,115,586**	**-**	**178,838,621**
Carrying amount of investments in joint ventures and associates	**34,417,275**	**28,220,910**	**-**	**112,084,850**	**4,115,586**	**-**	**178,838,621**

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 30. Transactions and balances with joint ventures and associates are presented in Note 6.

12 Other Non-Current Assets

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Prepayments for non-current assets	11,044,920	3,882,619
Non-current VAT recoverable	1,957,035	2,257,145
Restricted cash	1,232,080	414,718
Bonds	519,751	-
Other	307,183	161,886
Less: impairment provision	(954)	-
Total other non-current assets	**15,060,015**	**6,716,368**

12 Other Non-Current Assets (continued)

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

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Construction of First Wind Power station	8,813,006	-
Construction and reconstruction of substations in Almaty and Almaty region	1,186,724	1,683,909
Reconstruction and expansion of HPP-2.	445,498	907,248
Replacement of turbine 3 of Aktobe TES	291,523	949,694
Other	308,169	341,768
Total prepayments for non-current assets	**11,044,920**	**3,882,619**

Non-current VAT recoverable

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

13 Inventories

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Auxiliary production materials	4,145,137	4,101,601
Fuel	2,384,899	3,592,036
Spare parts	702,135	475,060
Raw materials	96,798	46,547
Other materials	953,983	911,718
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,175,425)	(1,176,877)
Total inventories	**7,107,527**	**7,950,085**

14 Trade and Other Receivables

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Trade receivables	7,456,720	9,853,757
Loan provided to Energosberezhenie PUC	3,281,555	3,281,555
Receivable from Almaty Heat Network JSC	432,650	432,650
Other receivables	-	35,459
Less: impairment provision	(4,039,737)	(4,359,267)
Total financial receivables	7,131,188	9,244,154
Other receivables	362,203	249,363
Less: impairment provision	(58,090)	(37,238)
Total trade and other receivables	**7,435,301**	**9,456,279**

Loan provided to Energosberezhenie PUC

In 2002 AZhC provided interest-free financial aid to Energosberezhenie Public Utility Company ("Energosberezhenie PUC") in the amount of Tenge 5,229,976 thousand with original maturity on 1 October 2002. As at 30 June 2013 outstanding balance of this financial aid is Tenge 3,281,555 thousand (31 December 2012: Tenge 3,281,555 thousand). In 2004 management concluded that this amount is uncollectible and recorded a provision of 100% of outstanding amount receivable. As at 30 June 2013 the amount of this provision remains unchanged (31 December 2012: unchanged).

14 Trade and Other Receivables (continued)

Receivable from Almaty Heat Network LLP

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

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

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

Financial receivables of the Group at 30 June 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 Kazakhstani Tenge		2013	2012
Provision for impairment at 1 January		4,359,267	4,446,291
Provision for impairment charged during the period	26	139,928	337,048
Reversal of provision during the period	26	(459,267)	(21,278)
Receivables written off during the period as uncollectible		(191)	-
Provision for impairment at 30 June		**4,039,737**	**4,762,061**

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

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Current and not impaired	4,315,894	6,096,959
Total current and not impaired	**4,315,894**	**6,096,959**
Past due but not impaired		
- up to 30 days overdue	1,660,679	2,557,156
- 30 to 90 days overdue	661,005	536,674
- 90 to 180 days overdue	82,376	30,187
- 180 days -360 days overdue	280,095	122,807
Total past due but not impaired	**2,684,155**	**3,246,824**
Total individually impaired (gross)		
- to 90 days overdue	59,730	29,324
- 90 to 180 days overdue	231,295	26,095
- 180 to 360 days overdue	149,000	64,815
- over 360 days overdue	3,730,851	4,139,404
Total individually impaired	**4,170,876**	**4,259,638**
Less: impairment provision	(4,039,737)	(4,359,267)
Total	**7,131,188**	**9,244,154**

15 Other Current Assets

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Term deposits	19,165,799	6,752,273
VAT recoverable and prepaid taxes	4,906,167	5,871,814
Restricted cash	3,761,936	3,611,259
Dividends receivable	2,329,548	272,149
Advances to suppliers	2,246,764	1,729,007
Interest free short-term loans to related parties	-	2,908,459
Short-term loans to ZhGRES	1,736,760	1,998,750
Accrued interest	12,000	-
Less: impairment provision	(21,009)	(21,663)
Other	274,850	454,891
Total other current assets	**34,412,815**	**23,576,939**

Restricted cash represents cash received from electricity sale and placed to the pledge account according to the loans agreement with the Development Bank of Kazakhstan and the Development Bank of China in the amount of Tenge 3,761,936 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.

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

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

During the first half of 2013 the loan in amount of Tenge 4,644,960 thousand has been repaid by ZhGRES. Further in June 2013 in accordance with the above agreement the Group has provided a loan in amount of Tenge 1,391,211 thousand to ZhGRES.

Dividends receivable of Tenge 2,329,548 thousand represents dividends receivable from Forum Muider B.V.

16 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Demand deposits	57,084,691	48,797,439
Cash at current bank accounts	16,376,912	46,177,766
Cash on hand	20,395	15,904
Total cash and cash equivalents	**73,481,998**	**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	30 June 2013	31 December 2012 (restated)
Kazakhstani Tenge	23,960,374	37,740,151
US Dollar	49,505,005	57,247,738
Other currencies	16,619	3,220
Total cash and cash equivalents	**73,481,998**	**94,991,109**

17 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 (restated)		**5,418,513**		**222,868,957**
9th issue of shares	22 March 2013	30,000	251,481	7,723,741
10th issue of shares	27 March 2013	14,924	235,988	3,353,623
Balance at 30 June 2013		**5,463,437**		**233,946,321**

On 17 August 2012, Samruk-Kazyna approved the transfer of its 50 percent participatory interest in Ekibastuzskaya GRES-1, a joint venture with Kazakhmys Plc, 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.

At 30 June 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.

	30 June 2013		31 December 2012 (restated)	
	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	**233,946,321**	**233,946,321**	**222,868,957**	**222,868,957**

For the purpose of these consolidated interim financial statements, earnings per share is calculated by dividing net profit for the period attributable to shareholders of the Group by the weighted average number of common shares outstanding during the period.

In thousands of Kazakhstani Tenge	2013	2012
Profit for the period attributable to equity shareholders	22,722,247	10,631,910
Weighted average number of shares for the period	5,444,813	5,062,715
Earnings per share basic and diluted, (Tenge)	**4,173**	**2,100**

Other reserves

In thousands of Kazakhstani Tenge	Merger reserve	Result of transactions with shareholders	Total
Balance at 1 January 2012	**11,445,568**	**18,025,594**	**29,471,162**
Transactions with shareholders	(4,264,023)	11,077,364	**6,813,341**
Balance at 31 December 2012 (restated)	**7,181,545**	**29,102,958**	**36,284,503**
Transactions with shareholders	(284,515)	(11,077,364)	**(11,361,879)**
Balance at 30 June 2013	**6,897,030**	**18,025,594**	**24,922,624**

17 Equity (continued)

Merger reserve and result of transactions with shareholder

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

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

In 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 7,723,741 thousand. Since the transfer of shares of EKREDC represents business combination under common control, these consolidated interim financial statements have been prepared using the predecessor entity method. Accordingly, these consolidated interim 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).

18 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 Kazakhstani Tenge	Note	2013	2012
Present value of defined benefit obligations at 1 January		1,010,465	948,987
Actuarial losses		129,849	62,239
Unwinding of the present value discount	28	30,261	18,071
Current service cost		17,978	16,649
Benefits paid		(39,233)	(105,243)
Present value of defined benefit obligations at 30 June		**1,149,320**	**940,703**

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

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Short-term portion of defined benefit obligations	70,427	53,810
Long-term portion of defined benefit obligations	1,078,893	956,655
Total	**1,149,320**	**1,010,465**

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

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Actuarial losses		129,849	62,239
Unwinding of the present value discount	28	30,261	18,071
Current service cost		17,978	16,649
Expense recognised in profit and loss for the period		**178,088**	**96,959**

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

18 Employee Benefit Obligations (continued)

Principal actuarial assumptions used at 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013	30 June 2012
Discount rate	5.63%-5.82%	4.80% - 5.28%
Annual minimum salary and monthly calculation index increase	7.00%-8.00%	3.91% - 8.00%
Average lapse rate:		
- administrative and management personnel	8.96%-22.05%	12.14% - 20.05%
- production personnel	5.04%-10.24%	8.35% - 11.32%

19 Borrowings

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Non-current portion		
Bonds issued	78,752,757	76,107,718
Bank term loans	55,342,856	45,923,767
Loan from Samruk-Kazyna	27,475,442	29,089,618
Loans from customers	3,432,640	3,740,046
Notes payable	351,603	326,213
Total borrowings-non-current portion	**165,355,298**	**155,187,362**
Current portion		
Bank term loans	4,490,232	12,237,106
Loan from Samruk-Kazyna	2,458,248	2,464,830
Bonds issued	939,852	991,428
Loans from customers	198,458	47,818
Total borrowings-current portion	**8,086,790**	**15,741,182**
Total borrowings	**173,442,088**	**170,928,544**

19 Borrowings (continued)

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

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Samruk-Energy		
Loan from Samruk-Kazyna	29,933,690	31,554,448
Eurobonds	78,548,384	75,118,535
Total Samruk-Energy	**108,482,074**	**106,672,983**
AZhC		
Loans from customers	2,825,057	3,155,412
Notes payable	344,894	326,213
Halyk Bank	-	5,221,048
Total AZhC	**3,169,951**	**8,702,673**
Moinak HPS		
State Development Bank of China	29,051,575	29,612,716
Development Bank of Kazakhstan	17,748,775	16,079,425
Total Moinak HPS	**46,800,350**	**45,692,141**
MEDC		
Bonds issued	834,590	1,684,113
Loans from customers	806,041	830,513
Total MEDC	**1,640,631**	**2,514,626**
Almaty Power Station		
VTB Bank Kazakhstan	3,464,557	3,905,482
Citibank Kazakhstan	690,213	690,213
Kazkommertzbank	-	1,399,764
Total Almaty Power Station	**4,154,770**	**5,995,459**
Aktobe TES		
BankCentreCredit	-	299,636
Total Aktobe TES	**-**	**299,636**
AlmatyEnergoSbyt		
Bonds issued	309,635	296,542
Total AlmatyEnergoSbyt	**309,635**	**296,542**
PVES		
Eurasian Development Bank	8,877,968	-
Total PVES	**8,877,968**	-
Other borrowings	6,709	754,484
Total borrowings	**173,442,088**	**170,928,544**

19 Borrowings (continued)

Below table represents carrying amounts and fair values of borrowings.

In thousands of Kazakhstani Tenge	Carrying amounts 30 June 2013	 31 December 2012 (restated)	Fair values 30 June 2013	 31 December 2012 (restated)
Bonds issued	79,692,609	77,099,146	79,692,609	77,250,033
Bank term loans	59,833,088	58,160,873	59,833,088	57,319,985
Loan from Samruk-Kazyna	29,933,690	31,554,448	29,933,690	31,554,448
Loans from customers	3,631,098	3,787,864	3,637,807	5,686,270
Notes payable	351,603	326,213	344,894	338,360
Total borrowings	**173,442,088**	**170,928,544**	**173,442,088**	**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 issued

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.

19 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 30 June 2013 were Tenge 2,825,057 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 30 June 2013 deferred income was Tenge 4,630,820 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 six months ended 30 June 2013, amortisation of deferred income was Tenge 235,063 thousand (six months ended 30 June 2012: Tenge 204,524 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.

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

19 Borrowings (continued)

Moinak HPS

Development Bank of Kazakhstan

On 14 May 2005 and 16 January 2008 Moinak HPS 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 6 months of 2013 the company received a third tranche in amount of Tenge 1,344,218 thousand

Bank loans are secured by the following funds:

- Governmental guarantee of Ministry of Finance of Republic of Kazakhstan for the amount of US Dollar 25,000,000. Counter-guarantee of second-tier bank for the amount of Tenge 404,726 thousand.
- Property, plant and equipment with carrying amount of Tenge 5,179,055 thousand (2012: Tenge 5,140,259 thousand).
- 20% of payments to be received from sale of electric energy in future.
- Corporate guarantee of Samruk-Kazyna in the amount of Tenge 12,285,000 thousand.

State Development Bank of China

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

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

MEDC

Bonds issued

In August 2005 MEDC 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 thousand and Tenge 20,229 thousand, 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.

19 Borrowings (continued)

In May 2013 MEDC officially registered the 6th bonds emission on KASE in the amount of Tenge 1,700,000 thousand with a maturity of 10 years and a coupon rate of 8%. At the reporting date, planned placement of bonds were cancelled by the company due to low demand from potential investors.

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.

AlmatyEnergoSbyt

Bonds issued

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

PVES

Eurasian Development Bank

In April 2013 PVES signed the contract with Eurasian Development Bank for provision of credit line in the amount of Tenge 14,167,000 thousand. The contractual annual interest rate for the credit line is 7.5%, which can be changed after 36 months from the agreement date. The interest and principal amount is paid every three months after the grace period of 24 months. According to the contract's terms, the credit line is valid for 2 years. The principal amounts of loans obtained under the credit line are repayable within the period of 10 years from the contract date. No collateral is provided for the debt outstanding. During 2013, the Group obtained Tenge 8,877,968 thousand of the available credit line facility.

The Group's borrowings mature as follows:

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Borrowings due:		
- within 1 year	8,086,790	15,741,182
- from 2 to 5 years	103,201,544	73,954,803
- over 5 years	62,153,754	81,232,559
Total borrowings	**173,442,088**	**170,928,544**

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

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Borrowings denominated in:		
- Tenge	61,363,458	51,945,877
- US Dollars	112,078,630	118,982,667
Total borrowings	**173,442,088**	**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 period ended 30 June 2013.

20 Other Non-Current Liabilities

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Deferred income:		
- AZhC	4,630,820	4,815,050
- MEDC	1,697,723	1,731,288
Trade payables	2,055,285	1,057,327
Liabilities related to preference shares of subsidiaries	278,004	107,737
Other	361,813	163,433
Total other non-current liabilities	**9,023,645**	**7,874,835**

Deferred income represents a difference between the nominal value of loans from customers received by AZhC and MEDC for construction of electric power transmission lines and infrastructure to connect to electricity transmission lines or reconstruction of the existing electric power transmission lines and infrastructure (Note 19), 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 Kazakhstani 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	(102,501)	-	(102,501)
Recognition of income	(204,524)	(33,564)	(238,088)
Balance at 30 June 2012	**5,334,480**	**1,764,866**	**7,099,346**
Balance at 1 January 2013 (restated)	4,815,050	1,731,288	6,546,338
Change in the carrying amount of loans from customers adjusted against deferred income	50,833	-	50,833
Recognition of income	(235,063)	(33,565)	(268,628)
Balance at 30 June 2013	**4,630,820**	**1,697,723**	**6,328,543**

21 Provisions for Liabilities and Charges

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Payables to Almaty Akimat	8,451,052	7,274,672
Provision on claim of a contractor on construction of Moinak HPS	1,959,620	1,959,620
Legal claim from Bastau	68,000	135,507
Other	45,504	58,661
Total provisions for liabilities and charges	**10,524,176**	**9,428,460**

Details of legal claim are disclosed in Note 30.

Payable to Almaty Akimat

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

21 Provisions for Liabilities and Charges (continued)

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

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

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

In 2009 Akimat filed a claim to demand from AZhC settlement of debt in the amount of Tenge 7,274,672 thousand (Note 30). At the beginning of 2010, the case was dismissed due to absence of officials from Akimat in the court.

On April 2013, KSU "Almaty Department of Finance" filed a claim against the company in the Specialized Interdistrict Economic Court of Almaty to recover Tenge 10,042,971 thousand, including: Tenge 9,113,064 thousand of debt amount, Tenge 929,907 thousand of related penalties and Tenge 301,289 thousand of the state fee.

On 5 June, 2013 Specialized Interdistrict Economic Court of Almaty partially satisfied the claim by decreasing the debt amount to Tenge 7,274,672 thousand, related penalties to Tenge 929,907 thousand and state fees to Tenge 246,473 thousand. AZhC appealed the court decision, however recognized an additional liability of Tenge 1,176,380 thousand as a result of court decision. Management believes that the existing liability is the most probable amount to cover the risk existing at the reporting date.

22 Trade and Other Payables

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (resated)
Trade payables	10,113,248	26,334,538
Dividends payable	3,617,941	257,085
Payable to Samruk-Kazyna	-	3,990,000
Other financial payables	730,876	362,576
Total financial payables	**14,462,065**	**30,944,199**
Advances received from customers	3,718,784	1,939,096
Accrued provisions for unused vacations	847,181	655,107
Salaries payable	812,394	1,307,989
Other payables	729,480	465,832
Total trade and other payables	**20,569,904**	**35,312,223**

23 Revenue

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Sale of electricity	54,507,832	35,015,619
Sale of heat energy	7,928,241	8,162,827
Electricity transmission and distribution services	5,732,558	3,078,479
Income from lease of investment property	938,977	743,676
Sale of chemical water	471,675	528,291
Other	240,050	-
Total revenue	**69,819,333**	**47,528,892**

24 Cost of Sales

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Cost of purchased electricity	11,652,533	6,263,374
Fuel	11,469,354	10,634,516
Payroll and related expenses	9,241,438	6,394,805
Depreciation of property, plant and equipment and amortisation of intangible assets	5,720,801	3,868,405
Electricity transmission and other services	3,996,501	2,850,104
Electricity losses on transmission	1,741,226	826,486
Water supply	1,482,907	1,015,054
Taxes other than on income	1,270,034	784,111
Materials	1,124,710	1,206,239
Repairing and maintenance	1,362,905	1,817,964
Third party services	739,314	87,232
Security service	441,265	299,218
Rent services	76,619	46,638
Reversal of provision on obsolete and slow-moving inventories	-	(195,057)
Other	739,703	298,983
Total cost of sales	**51,059,310**	**36,198,072**

25 Other Income, net

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Income from legal claims	581,702	1,030,000
Income from connection of additional capacities	236,432	238,088
Income from donated assets	21,202	108,981
Management fee on trust management of Ekibastuzkaya GRES-1	-	210,000
Other income	160,580	65,426
Loss on disposal of property, plant and equipment	(49,463)	-
Other expenses	(122,952)	(72,963)
Total other income, net	**827,501**	**1,579,532**

In 2011 the Group addressed Almaty Heating Networks LLP (AHN) a counterclaim on the basis of court judgments on claim from Bastau SPUC (Note 30) to demand compensation in the amount of Tenge 1,030,000 thousand, which is related to the direct losses from litigation with Bastau SPUC for the year 2010 and the registration fee in the amount of Tenge 30,900 thousand.

On 23 September 2011 specialized Interdistrict Economic Court of Almaty decided to satisfy the claim in full. AHN appealed, but on 21 November 2011 the appeals panel of judges decided that the judgment decision dated 23 September 2011 should be upheld.

In April 2012 AHN fulfilled the court's decision and paid ALES Tenge 1,030,000 thousand (including VAT). This amount has been recognized in other income.

26 General and Administrative Expenses

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Payroll and related expenses		2,020,617	1,612,456
Provision for legal claim from Almaty Akimat	21	1,176,380	-
Consulting and other professional services		254,473	247,075
Taxes other than on income		225,204	347,168
Depreciation of property, plant and equipment and amortisation of intangible assets		226,583	203,032
Rent expense		190,983	137,443
Business trip and representative expenses		131,759	66,870
Donation and public assistance		110,278	11,809
Bank charges		87,516	45,689
Materials		75,913	51,739
Communication expenses		56,814	25,521
Insurance		31,570	8,219
Repair and maintenance		26,960	6,219
Security services		22,775	4,579
Charge/(reversal) of provision for impairment of trade and other receivables and other current assets		(319,339)	322,234
State duties		-	253,545
Transportation		-	10,253
Other		488,679	241,509
Total general and administrative expenses		**4,807,165**	**3,595,360**

27 Finance Income

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest income on bank deposits	1,720,456	821,399
Other	116,602	2,814
Total finance income	**1,837,058**	**824,213**

28 Finance Costs

In thousands of Kazakhstani Tenge	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest expense on borrowings		1,392,458	1,304,362
Foreign exchange losses less gains		319,869	56,819
Interest expense on bonds		1,442,915	-
Dividends on preference shares of subsidiaries		117,935	-
Unwinding of the present value discount:			
- loans and financial aid from shareholders		825,992	844,911
- notes payable		18,681	16,754
- employee benefit payable	18	30,261	18,071
- ash dump restoration provision		13,946	13,389
- loans from customers		304,841	292,569
- bonds issued		22,031	16,231
Other		101,311	1,312
Total finance costs		**4,590,240**	**2,564,418**

29 Taxes

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax	2,261,660	1,507,758
Deferred income tax	805,643	556,385
Total income tax expense	**3,067,303**	**2,064,143**

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

In thousands of Kazakhstani Tenge	Six months ended 30 June 2013	Six months ended 30 June 2012
Profit before tax under IFRS	**26,491,697**	**12,739,108**
Theoretical tax expense at statutory rate of 20% (2012: 20%)	5,298,339	2,547,822
Adjustments for:		
Share of profit of joint ventures not subject to income tax	(2,900,116)	(1,047,726)
Non-deductible expenses	249,105	255,022
Adjustment of prior years income tax	-	8,969
Withholding tax	28,566	43,540
Changes in unrecognised deferred income tax assets	391,409	256,516
Total income tax expense	**3,067,303**	**2,064,143**

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 Kazakhstani Tenge	1 January 2012	Charged/(credited) to profit or loss	30 June 2012
Tax effect of deductible temporary differences			
Tax losses carried forward	4,318,455	(295,824)	4,614,279
Employee benefit obligation	124,939	(14,742)	139,681
Trade and other payables	170,790	149,310	21,480
Ash dump restoration provision	32,516	(41,406)	73,922
Inventories	269,653	53,308	216,345
Trade and other receivables	19,899	(8,970)	28,869
Taxes other than income tax	-	(13,297)	13,297
Provision for unused vacation	111,205	82,295	28,910
Other	54,269	44,469	9,800
Gross deferred income tax assets	**5,101,726**	**(44,857)**	**5,146,583**
Unrecognised gross deferred income tax assets	-	256,516	(256,516)
Less offsetting with deferred income tax liabilities	(5,101,726)	(211,659)	(4,890,067)
Recognised deferred income tax assets	**-**	**-**	**-**
Tax effect of taxable temporary differences			
Property, plant and equipment	(6,543,743)	212,060	(6,755,803)
Borrowings	(3,712,597)	92,459	(3,805,056)
Other	-	40,207	(40,207)
Gross deferred income tax liabilities	**(10,256,340)**	**344,726**	**(10,601,066)**
Less offsetting with deferred income tax assets	5,101,726	(211,659)	4,890,067
Recognised deferred income tax liabilities	**(5,154,614)**	**556,385**	**(5,710,999)**

29 Taxes (continued)

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 2,900,116 thousand (2012: Tenge 1,047,726 thousand) associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In thousands of Kazakhstani Tenge	1 January 2013 (restated)	(Charged)/credited to profit or loss	30 June 2013
Tax effect of deductible temporary differences			
Tax losses carried forward	5,684,833	1,555,549	7,240,382
Employee benefit obligation	163,150	52,629	215,779
Trade and other payables	42,017	(16,188)	25,829
Ash dump restoration provision	76,746	(7,669)	69,077
Inventories	208,921	26,164	235,085
Trade and other receivables	74,391	(57,090)	17,301
Taxes other than income tax	5,496	4,598	10,094
Provision for unused vacation	95,095	74,341	169,436
Other	43,130	(88,629)	(45,499)
Gross deferred income tax assets	**6,393,779**	**1,543,705**	**7,937,484**
Unrecognised gross deferred income tax assets	(525,917)	(391,409)	(917,326)
Less offsetting with deferred income tax liabilities	(5,867,862)	(1,152,296)	(7,020,158)
Recognised deferred income tax assets	**-**	**-**	**-**
Tax effect of taxable temporary differences			
Property, plant and equipment	(9,052,492)	(2,323,863)	(11,376,355)
Borrowings	(4,076,275)	372,634	(3,703,641)
Other	346,255	(6,710)	339,545
Gross deferred income tax liabilities	(12,782,512)	(1,957,939)	(14,740,451)
Less offsetting with deferred income tax assets	5,867,862	1,152,296	7,020,158
Recognised deferred income tax liabilities	**(6,914,650)**	**(805,643)**	**(7,720,293)**

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 7,240,382 thousand (2012: Tenge 4,614,279 thousand). The tax loss carry forwards expire as follows:

In thousands of Kazakhstani Tenge	30 June 2013	30 June 2012
Tax loss carry-forwards expiring by the end of:		
- 31 December 2019	3,911,972	3,911,972
- 31 December 2020	237,888	237,888
- 31 December 2021	168,140	168,140
- 31 December 2022	1,366,833	296,279
- 31 December 2023	1,555,549	-
Total tax loss carry forwards	**7,240,382**	**4,614,279**

29 Taxes (continued)

Taxes payable

In thousands of Kazakhstani Tenge	30 June 2013	31 December 2012 (restated)
Income tax	600,510	138,206
Income tax payable	**600,510**	**138,206**
VAT	857,247	584,414
Environmental taxes	133,841	157,383
Individual income tax	113,242	221,412
Social tax	104,820	171,341
Other taxes	17,336	181,280
Taxes payable other than income tax	**1,226,486**	**1,315,830**
Total taxes payable	**1,826,996**	**1,454,036**

30 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

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

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

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

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

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

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

Tax legislation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group 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.

30 Contingencies, Commitments and Operating Risks (continued)

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

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 933,209 thousand tenge. 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 interim 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 1,030,000 thousand tenge in 2009 and 506,441 thousand tenge 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 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. The company did not recognise a contingent asset as of 30 June 2013.

30 Contingencies, Commitments and Operating Risks (continued)

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 interim 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 Group. At 30 June 2013 the carrying amount of ash dump restoration provision was Tenge 345,384 thousand (31 December 2012: Tenge 365,090 thousand).

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

Capital commitments

At 30 June 2013 the Group had contractual commitments to purchase the assets and equipment for Tenge 33,040,247 thousand (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.

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 30 June 2013 of Tenge 15,981,732 thousand. As of 30 June 2013 the Group fulfilled its investment obligations under these agreements for the amount of Tenge 8,148,913 thousand.

30 Contingencies, Commitments and Operating Risks (continued)

Investment commitments of joint ventures

As at 30 June 2013 the Group's share in capital expenditure commitments of Forum Muider, Ekibastuzkaya GRES-1 and Ekibastuzskaya GRES-2 comprised Tenge 112,541,003 thousand (31 December 2012: Tenge 57,500,599 thousand). ZhGRES does not have any material capital expenditure commitments at 30 June 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.

In the course of further negotiations, the Group management took into consideration some Contractor's arguments and plans to attract independent experts for the objective assessment of requirements set by the Contractor. As at the date of these financial statements issue the executor of these works has not been assigned. Management believes that approximate amount of the liabilities would be USD 13,000 thousand and recognized provision in the amount of Tenge 1,959,620 thousand which is a preliminary management estimate of possible reimbursement of incremental expenses of contractor on construction of Moinak HPS (Note 21).

Contingencies of joint ventures

As of 30 June 2013 the joint ventures of the Group do not have any material contingencies. (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 30 June 2013 and 31 December 2012.

31 Financial Instruments by Category

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

In thousands of Kazakhstani Tenge		30 June 2013	31 December 2012 (restated)
Loans and receivables			
Cash and cash equivalents	16	73,481,998	94,991,109
Restricted cash	12,15	4,994,016	4,025,977
Term deposit	15	19,165,799	6,752,273
Financial receivables	14	7,131,188	9,244,154
Dividends receivable	15	2,329,548	272,149
Accrued interest	15	12,000	-
Other non-current financial assets	12	519,751	-
Short term loans	15	1,736,760	4,907,209
Total financial assets		**109,371,060**	**120,192,871**
Financial liabilities carried at amortised cost			
Borrowings	19	173,442,088	170,928,544
Financial payables	22	14,462,065	30,944,199
Non-current trade payables	20	2,055,285	1,057,327
Liabilities related to preference shares of subsidiaries	20	278,004	107,737
Total financial liabilities		**190,237,442**	**203,037,807**

32 Financial Risk Management

Financial Risk Factors

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

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

(a) Credit risk

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

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

32 Financial Risk Management (continued)

(b) Liquidity risk

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

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

In thousands of Kazakhstani 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 30 June 2013					
Borrowings	1,103,311	3,683,307	10,776,756	119,980,742	84,457,971
Other non-current financial liabilities	-	-	-	2,055,285	278,004
Trade and other payables	8,701,170	3,397,621	2,363,274	-	-
Total financial liabilities	**9,804,481**	**7,080,928**	**13,140,030**	**122,036,027**	**84,735,975**
At 31 December 2012 (restated)					
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 19) and trade payables (Note 22) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently benefits from implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

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

In thousands of Kazakhstani Tenge	USD	Euro	Other currencies	Total
At 30 June 2013				
Assets	62,078,009	303	16,352	62,094,664
Liabilities	(112,536,662)	(61,293)	(2,453)	(112,600,408)
Net position	**(50,458,653)**	**(60,990)**	**13,899**	**(50,505,744)**
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)**

32 Financial Risk Management (continued)

At 30 June 2013, if Tenge had weakened/strengthen by 10% against the US dollar with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 4,036,692 thousand (31 December 2012: decreased by Tenge 4,728,196 thousand), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated borrowings.

At 30 June 2013, if Tenge had weakened/strengthen by 10% against the Euro with all other variables held constant, the post-tax profit for the period would have decreased/increased by Tenge 4,879 thousand (31 December 2012: decreased by Tenge 8,678 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 Group's cash flows.

The Group 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 30 June 2013 (2012: 100 basis points), with all other variables held constant, profit for the period would have been Tenge 132,889 thousand (2012: Tenge 3,508 thousand) less, mainly as a result of higher interest expense on floating interest rate liabilities. No increase in value of property, plant and equipment would have been (2012: Tenge 76,445 thousand) as a result of suspension of capitalization.

If interest rates had been 100 basis points lower at 30 June 2013 (2012: 100 basis points), with all other variables held constant, profit for the period would have been Tenge 132,889 thousand (2012: Tenge 3,623 thousand) higher, mainly as a result of lower interest expense on floating interest rate liabilities. No decrease in value of property, plant and equipment would have been (2012: Tenge 79,664 thousand) as a result of suspension of capitalization.

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 interim statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated interim statement of financial position plus net debt.

In thousands of Kazakhstani Tenge	**Note**	**30 June 2013**	**31 December 2012 (restated)**
Total borrowings	19	173,442,088	170,928,544
Less:			
Cash and cash equivalents	16	(73,481,998)	(94,991,109)
Net borrowings		99,960,090	75,937,435
Total equity		315,765,353	295,388,648
Total capital		**415,725,443**	**371,326,083**
Gearing ratio		**24%**	**20%**

33 Fair Value of Financial Instruments

Fair value estimation

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

Financial assets carried at amortised cost

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

Financial liabilities carried at amortised cost

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

34 Events Occurring After the Reporting Period

On 1 August 2013 ALES obtained a loan from existing credit line from Kazinvestbank in the amount of Tenge 2,000,000 thousand. The principal amount of loan is repayable in six months. Loan agreement bears interest of 8.5% per annum payable on a monthly basis. The loan is secured with cash on current account in the amount of Tenge 2,516,000 thousand.