JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

Consolidated financial statements
For the year ended 31 December 2012

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Management of Joint Stock Company Central-Asian Electric-Power Corporation (the "Company") and its subsidiaries (jointly the "Group") is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2012, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2012 were authorized for issuance by management on 22 April 2013.

On behalf of management of the Group:

Amirkhanov Y.A.	**Kassymkhanova K.E.**
President	**Chief Accountant**
22 April 2013	22 April 2013
Almaty, Republic of Kazakhstan	Almaty, Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Joint Stock Company Central-Asian Electric-Power Corporation:

We have audited the accompanying consolidated financial statements of Joint Stock Company Central-Asian Electric-Power Corporation (the "Company") and its subsidiaries (jointly the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Dulat Taituleyev
Engagement Partner
Certified Auditor
Republic of Kazakhstan
Auditor's Certificate No. MF-0000095,
dated 27 August 2012

Deloitte, LLP

Deloitte, LLP
State license for audit activities in the Republic of Kazakhstan No.0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

22 April 2013
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

(in thousands of Tenge)

	Notes	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	100,491,319	89,183,271
Goodwill	7	2,424,419	2,424,419
Intangible assets		95,349	75,932
Deferred tax assets	36	145,087	93,823
Other non-current assets	8	6,996,689	4,681,112
Restricted cash	9	242,906	110,000
Total non-current assets		110,395,769	96,568,557
CURRENT ASSETS:			
Inventories	10	3,353,885	2,629,033
Trade accounts receivable	11	9,651,081	7,827,157
Advances paid	12	1,018,365	929,613
Income tax prepaid		137,663	414,439
Taxes receivable and prepaid taxes	13	1,027,519	809,768
Other accounts receivable	14	2,692,330	2,554,174
Other financial assets	9	9,115,805	12,769,586
Restricted cash	9	381,126	243,025
Cash	15	986,622	1,344,978
Total current assets		28,364,396	29,521,773
TOTAL ASSETS		138,760,165	126,090,330
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	37,590,045	37,590,045
Additional paid-in capital	17	1,348,105	1,348,105
Revaluation reserve on property, plant and equipment		19,236,528	20,448,020
Retained earnings		22,560,077	16,376,282
Total equity		80,734,755	75,762,452
NON-CURRENT LIABILITIES:			
Bonds issued	18	13,678,521	10,952,049
Long-term loans	19	9,752,949	9,025,284
Deferred revenue	20	1,122,250	491,803
Long-term accounts payable	21	40,711	107,023
Ash disposal area restoration liabilities	22	253,348	291,353
Employee benefit obligations	23	92,071	72,654
Deferred tax liabilities	36	14,604,204	13,037,819
Total non-current liabilities		39,544,054	33,977,985

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 DECEMBER 2012

(in thousands of Tenge)

	Notes	31 December 2012	31 December 2011
CURRENT LIABILITIES:			
Current portion of bonds issued	18	583,028	578,293
Current portion of long-term loans	19	1,991,364	1,828,499
Current portion of ash disposal area restoration liabilities	22	155,427	150,111
Current portion of employee benefit obligations	23	8,841	7,954
Short-term loans	24	4,413,223	4,291,981
Trade accounts payable	25	7,905,116	6,315,719
Advances received	26	2,139,741	1,918,226
Income tax payable		1,968	1,832
Taxes and non-budget payments payable	27	441,584	437,794
Other liabilities and accrued expenses	28	841,064	819,484
Total current liabilities		18,481,356	16,349,893
TOTAL EQUITY AND LIABILITIES		138,760,165	126,090,330

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

22 April 2013
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

22 April 2013
Almaty, Republic of Kazakhstan

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Tenge)

	Notes	2012	(Reclassified*) 2011
REVENUE	29	74,496,765	65,159,449
COST OF SALES	30	(59,155,300)	(51,335,729)
GROSS PROFIT		15,341,465	13,823,720
General and administrative expenses	31	(5,235,035)	(4,081,662)
Selling expenses	32	(1,098,898)	(1,052,158)
Finance costs	33	(2,416,229)	(2,224,142)
Finance income	34	646,730	1,180,110
Foreign exchange loss		(2,281)	(83,625)
Impairment loss on property, plant and equipment	6	-	(256,524)
Other income	35	792,233	550,402
PROFIT BEFORE TAXATION		8,027,985	7,856,121
INCOME TAX EXPENSE	36	(1,963,669)	(1,966,080)
PROFIT FOR THE YEAR		6,064,316	5,890,041
OTHER COMPREHENSIVE INCOME:			
Increase in cost of property, plant and equipment as a result of revaluation	6	-	13,206,175
Income tax relating to components of other comprehensive income	36	-	(2,641,234)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	10,564,941
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,064,316	16,454,982
EARNINGS PER SHARE			
Earnings per share for the year, basic and diluted, in tenge	39	188.64	183.22

*Certain numbers shown here do not correspond to 2011 consolidated financial statements and reflect reclassifications made as detailed in Note 3.

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

22 April 2013
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

22 April 2013
Almaty, Republic of Kazakhstan

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve on property, plant and equipment	Retained earnings	Total equity
At 1 January 2011		**30,302,544**	**1,348,105**	**10,406,139**	**11,302,478**	**53,359,266**
Profit for the year		-	-	-	5,890,041	5,890,041
Other comprehensive income for the year		-	-	10,564,941	-	10,564,941
Total comprehensive income for the year		-	-	10,564,941	5,890,041	16,454,982
Share issuance	16	7,287,501	-	-	-	7,287,501
Amortization of revaluation reserve		-	-	(523,060)	523,060	-
Dividends declared	16	-	-	-	(1,201,824)	(1,201,824)
Fair value adjustment of interest-free loan issued to the shareholder less deferred tax of 34,369 thousand tenge	14	-	-	-	(137,473)	(137,473)
At 31 December 2011		**37,590,045**	**1,348,105**	**20,448,020**	**16,376,282**	**75,762,452**
Profit for the year		-	-	-	6,064,316	6,064,316
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	6,064,316	6,064,316
Amortization of revaluation reserve		-	-	(1,211,492)	1,211,492	-
Dividends declared	16	-	-	-	(883,505)	(883,505)
Fair value adjustment of interest-free loan issued to the shareholder less deferred tax of 52,514 thousand tenge	14	-	-	-	(208,508)	(208,508)
At 31 December 2012		**37,590,045**	**1,348,105**	**19,236,528**	**22,560,077**	**80,734,755**

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

22 April 2013
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

22 April 2013
Almaty, Republic of Kazakhstan

The notes on pages 10-58 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Tenge)

	Notes	2012	2011
OPERATING ACTIVITIES:			
Profit before taxation		8,027,985	7,856,121
Adjustments for:			
Depreciation and amortization	30, 31, 32, 35	4,009,206	2,976,318
Finance costs	33	2,416,229	2,224,142
Accrual/(recovery) of allowance for doubtful debts	31, 35	406,499	(12,004)
Loss on disposal of property, plant and equipment		-	7,186
Employee benefit expenses	23, 30, 31	34,662	16,621
Interest income from deposits	34	(429,367)	(960,921)
Amortization of fair value adjustment on interest-free loans	34	(181,591)	(201,754)
Interest income from guarantee fees	34	(8,889)	(10,029)
Foreign exchange loss		2,281	83,625
Accrual of provision for unused vacations		8,348	27,937
Accrual of allowance for slow-moving inventories	10, 31	11,275	18,692
Impairment loss on property, plant and equipment	6	-	256,524
Operating cash flow before changes in working capital		14,296,638	12,282,458
Increase in inventories		(736,127)	(646,506)
Increase in trade accounts receivable		(2,226,423)	(1,752,107)
Decrease in advances paid		83,850	895,237
Decrease/(increase) in taxes receivable and prepaid taxes		471,431	(71,531)
(Increase)/decrease in other accounts receivable		(406,579)	205,534
Increase in trade accounts payable		1,607,814	1,813,079
Decrease in deferred revenue		(87,004)	(2,400)
Increase in advances received		221,515	243,534
Decrease in taxes and non-budget payments payable		(392,408)	(434,321)
Decrease in employee benefit obligations	23	(14,358)	(11,290)
Decrease in ash disposal area restoration liabilities		(155,427)	(165,117)
Decrease in other liabilities and accrued expenses		(108,835)	(122,590)
Cash provided by operating activities		12,554,087	12,233,980
Income tax paid		(412,406)	(665,033)
Interest paid		(2,415,192)	(2,180,382)
Net cash provided by operating activities		9,726,489	9,388,565

JOINT STOCK COMPANY CENTRAL-ASIAN ELECTRIC-POWER CORPORATION AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Tenge)

	Notes	2012	2011
INVESTING ACTIVITIES:			
Cash withdrawn from deposits		12,993,852	17,385,052
Cash placed on deposits		(10,113,330)	(23,930,294)
Acquisition of property, plant and equipment		(15,141,756)	(18,187,155)
Change in advances paid for property, plant and equipment		(2,315,577)	620,539
Acquisition of intangible assets		(36,836)	(50,845)
Proceeds from disposal of property, plant and equipment		135,350	346,207
Proceeds from interest accrued on placed deposits		1,054,997	711,479
Sale of financial assets held-for-trading		-	995,491
Net cash used in investing activities		(13,423,300)	(22,109,526)
FINANCING ACTIVITIES:			
Proceeds from issuance of bonds		2,613,360	1,917,284
Repayment of bonds		(6,308)	(1,638,855)
Proceeds from loans		10,250,889	10,079,300
Repayment of loans		(8,634,029)	(7,280,348)
Share issuance	16	-	7,287,501
Dividends paid	16	(883,505)	(1,201,824)
Net cash generated from financing activities		3,340,407	9,163,058
NET DECREASE IN CASH		(356,404)	(3,557,903)
CASH at the beginning of the year	15	1,344,978	5,019,799
Effect of changes in foreign exchange rate on cash balance held in foreign currency		(1,952)	(116,918)
CASH at the end of the year	15	986,622	1,344,978

Non-cash operations:

- In 2012, the Group capitalized of 278,227 thousand tenge borrowing costs on bank loans (2011: 213,391 thousand tenge) (Note 6).
- In 2012, the Group amortized of 119,419 thousand tenge the discount/premium on the bonds issued (2011: 129,688 thousand tenge).
- In 2012, the Group carried out capital repair of property, plant and equipment using its own resources and capitalized payroll expenses and expenses on materials of 42,364 thousand tenge and 194,596 thousand tenge, respectively (2011: 67,020 thousand tenge and 275,177 thousand tenge, respectively).

Signed on behalf of management of the Group:

Amirkhanov Y.A.
President

22 April 2013
Almaty, Republic of Kazakhstan

Kassymkhanova K.E.
Chief Accountant

22 April 2013
Almaty, Republic of Kazakhstan

The notes on pages 10-58 form an integral part of these consolidated financial statements.

(in thousands of Tenge)

1. NATURE OF BUSINESS

Joint Stock Company Central-Asian Electric-Power Corporation (CAEPCO) (hereinafter the "Company") was incorporated on 8 August 2008 (registration certificate number 93550-1910-AO, business identification number: 080840005767).

As at 31 December 2012 and 2011, the shareholders of the Company were JSC Central-Asian Power Energy Company (JSC CAPEC) (62.12%), European Bank of Reconstruction and Development (EBRD) (24.99%) and KAZ HOLDINGS COOPERATIEF U.A. (12.89%) (Note 16).

The ultimate shareholders of the Company as at 31 December 2012 and 2011 are Mr. E. Amirkhanov, Mr. A. Klebanov, Mr. S. Kan and Ms. G. Artambayeva, residents of the Republic of Kazakhstan, who are the immediate owners of the JSC CAPEC.

Legal address of the Company: 89, Karasay Batyr Street, Almaty, Republic of Kazakhstan.

The Company is the parent of the following subsidiaries (hereinafter jointly as the "Group"):

Subsidiaries	Location	Ownership interest 2012	Ownership interest 2011	Principal activity
JSC PAVLODARENERGO	Pavlodar	100%	100%	Production, transmission and sale of electricity and heat
JSC SEVKAZENERGO	Petropavlovsk	100%	100%	Production, transmission and sale of electricity and heat
LLP Astanaenergosbyt	Astana	100%	100%	Sale of electricity and heat

The principal activity of the Group is production, transmission, distribution, and sale of the electricity and heat in Pavlodar and Petropavlovsk cities, and sale electricity and heat in Astana city.

The Group has all required licenses for the activities related to production, transmission and distribution of the electricity.

The total number of employees of the Group as at 31 December 2012 and 2011 was 7,817 and 8,085 persons, respectively.

These consolidated financial statements were approved and authorized for issue by management of the Group on 22 April 2013.

2. CURRENT ECONOMIC SITUATION

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

3. PRESENTATION AND MAIN PRINCIPLES OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements of the Group are prepared on the historical cost basis, except for:

- Valuation of property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment; and
- Valuation of financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Functional and presentation currency

The functional and presentation currency of these consolidated financial statements is tenge.

Adoption of the new and revised International Financial Reporting Standards

Standards and Interpretations effective for the current period:

The Group adopted the following new and revised Standards and Interpretations during the year:

- Amendments to IFRS 7 Disclosures – Transfer of Financial Assets
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets

The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies. Amendments did not result in significant impact on the consolidated financial statements of the Group.

(in thousands of Tenge)

Moreover the Group has adopted amendments to other Standards within an annual initiative aimed at the general improvement of the effective IFRS. These amendments are related to certain definitions and issues regarding presentation of the consolidated financial statements, issues of recognition and measurement. The improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive, but have had no effect on amounts reported.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	1 January 2015
Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 19 (as revised in 2011) Employee Benefits	1 January 2013
IAS 27 (as revised in 2011) Separate Financial Statements	1 January 2013
IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures	1 January 2013
Annual Improvements to IFRS 2009-2011 Cycle	1 January 2013

Management assumes that all stated above Standards, Interpretations and amendments will have no material impact on the Group's consolidated financial statements in the period of initial application.

Key assumptions and sources of estimation uncertainty

The preparation of the consolidated financial statements according to IFRS requires management of the Group to make estimates and judgments that affect the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. Due to uncertainty inherent in such estimates, the actual results reflected in future reporting periods may be based on the amounts different from these estimates.

The following are the key assumptions and estimations regarding future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Ash disposal area restoration liability

For production purposes the Group uses ash disposal areas. At the end of the useful life, these ash disposal areas should be restored. In order to determine the amount of the restoration liability of these ash disposal areas management of the Group is required to conduct the evaluation of future cost of restoration of ash disposal areas. The management estimates liabilities on restoration of ash disposal areas at amortized cost using effective interest rate of 12%-14% which represents a market rate of financing for the Group.

Determination of the fair value of property, plant and equipment

At each reporting date the Group reviews the change in the carrying value of the property, plant and equipment from the fair value of property, plant and equipment. In case of a significant change in the carrying amount of property, plant and equipment from its fair value the Group estimates the fair value of property, plant and equipment using independent appraisers.

Impairment of non-current assets

At each reporting date the Group reviews if there are indicators of possible impairment of non-current assets. If there are such indicators or if the annual testing for impairment is required, the Group performs the assessment of the recoverable amount. The recoverable amount of the asset represents the greater amount of the fair value of the asset or a generating unit less selling expenses and value in use and is determined for each asset except when an asset does not generate cash flows which to a great extent depend on cash inflows generated by other assets or groups of assets. If the carrying value of the asset exceeds the recoverable amount, then the asset is considered to be impaired and its value is decreased to the recoverable amount. In the evaluation of the value-in-use the estimated future cash flows are discounted to their current value using the effective pre-tax interest rate, which reflects the current market value of the time value of cash flows and risks inherent to the assets.

Allowances for doubtful debts and slow-moving inventories

The Group accrues allowance for doubtful debts. Significant judgments are used to estimate doubtful debts. Ageing, historical and expected customer behavior are considered when identifying doubtful debts. Changes in economy or financial conditions of the customers may require adjustments to allowance for doubtful debts in the consolidated financial statements.

Annually the Group considers the need to accrue allowance for slow-moving inventories based on annual stock taking and estimation on future use of obsolete stock.

Property, plant and equipment held in trust management

The Group received property, plant and equipment for trust management from the state organizations. The trust management agreement is considered a concession agreement, since the Government regulates the activity of the Group and controls property, plant and equipment in trust management. Property, plant and equipment received under trust management are not recorded in the consolidated statement of financial position of the Group and income from use of property, plant and equipment is determined at the fair value of the consideration received or receivable and represents the amounts receivable from the supply of heat energy, which are included in profit or loss at the moment of delivery to consumers. The expenses are recognized as incurred and reflected in profits or loss in the period to which they relate.

(in thousands of Tenge)

Employee benefits

The defined benefit plan used by the Group is recorded according to requirements of IAS 19 Employee Benefits. Application of IAS 19 requires the use of estimates regarding various judgments including future annual increases in salary, demographics of the employer and pensioners and discount rates. The Group's assumptions under IAS 19, except for other circumstances, are based on historical experience and recommendations of actuaries. The change in estimates can have a significant impact on profit or loss of the Group.

Useful lives of property, plant and equipment

As discussed in Note 4, the Group reviews the useful lives of property, plant and equipment as at the end of each financial year. The estimate of the useful life of an asset depends on such factors as economic use, repair and maintenance program, technological upgrades and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects the respective information available as at the reporting date.

Recognition of revenue from sale of electricity

The Group recognizes revenue at the moment of delivery of electricity as per meters of the electricity consumers. The data from the meters are provided by consumers on a monthly basis and checked by the Group for accuracy on a sample basis. The Group recognizes revenue from electricity sold from the moment of the last metering to the end of the reporting period based on an estimate. As per this method, the daily volume of electricity consumed is determined according to the data of the previous month which is multiplied by the tariff.

Reclassifications

In the consolidated financial statements as at 31 December 2011 and for the year then ended changes in classification have been made to conform to the form of presentation of the consolidated financial statements as at 31 December 2012 and for the year then ended due to the fact that form of presentation of the current year consolidated financial statements provides more accurate presentation of the consolidated financial position of the Group. These reclassifications did not have impact on total comprehensive income for the year ended 31 December 2011, and consolidated retained earnings as at 31 December 2011.

Consolidated statement of comprehensive income	As previously stated 2011	Amount of reclassification	Reclassified 2011
COST OF SALES	(51,786,573)	(450,844)	(51,335,729)
GROSS PROFIT	13,372,876	(450,844)	13,823,720
Selling expenses	(601,314)	450,844	(1,052,158)

4. SIGNIFICANT ACCOUNTING POLICIES

Segment reporting

Based on the information contained in the reports, which are reviewed by management for the purpose of allocation of resources and assessment of performance, as well as having analyzed aggregation criteria, the Group identifies the following operating segments, which are production of heat and electric power, transmission and distribution of power, transmission and distribution of heat, sale of heat and electric power and other.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other enterprises controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or sold during the year are included in the profit or loss from the date of their actual purchase or to the effective date of sale, respectively. Total comprehensive income of subsidiaries is distributed among the shareholders of the Company and holders of non-controlling interest (NCI), even if it leads to a negative balance of NCI.

Where necessary, adjustments are made in the financial statements of the subsidiaries to bring their accounting policies in line with the accounting policy of the Group.

All intra-group transactions, related balances and unrealized gains and losses are eliminated in full on consolidation.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business less accumulated impairment losses, if any.

Changes in a Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests adjusted to reflect the changes in their relative interests in a subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received recognized directly in equity.

(in thousands of Tenge)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currencies transactions

Transactions in currencies other than the functional currency of the Group are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rates prevailing on reporting date. Non-monetary items recorded at historical cost denominated in foreign currency are not translated. Foreign exchange gains and losses on these operations are recorded in profit or losse, except for exchange differences on loans in foreign currency relating to items of construction in progress, which are included into the cost of these items.

The following table summarizes foreign currency exchange rates for tenge at:

	31 December 2012	31 December 2011
US Dollar	150.74	148.40
Russian Ruble	4.96	4.61

Weighted-average exchange rates for the years ended 31 December, for tenge were as follows:

	2012	2011
US Dollar	149.11	146.62
Russian Ruble	4.80	5.00

Property, plant and equipment

Property, plant and equipment are initially recorded at historical cost. All property, plant and equipment acquired before 1 January 2005 – date of transition to IFRS – are recorded at revalued cost being the deemed cost. Cost of acquired property, plant and equipment represents cost of funds paid on acquisition of respective assets and other directly related costs incurred in delivery of assets to the facility and necessary preparation for their planned utilization.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets is made on the same basis as for property, plant and equipment, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is required.

After the initial recognition property, plant and equipment is recorded at revalued amount which represents the fair value at the date of revaluation less accumulated depreciation and any subsequent impairment loss. The revaluation of property, plant and equipment is conducted on a regular basis so that the possible difference between the carrying value and estimated fair value at the reporting date would be immaterial. The accumulated depreciation at the date of revaluation is eliminated against the total carrying value of the asset, after which the carrying value is recalculated to its revalued amount.

If the carrying amount is increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading revaluation reserve on property, plant and equipment. However, such increase should be recognized in profit or loss to the extent that it reverses devaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset as a result of revaluation decreases, the amount of such a decrease is included in profit or loss. Nevertheless, this decrease should be recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in revaluation reserve on property, plant and equipment in respect of that asset. The decrease, as recognized in other comprehensive income, reduces the amount accumulated in equity under the heading of revaluation surplus.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to profit or loss as incurred.

Depreciation on revalued property, plant and equipment is recorded in profit or loss. Depreciation of construction-in-progress commences when the assets are put into operation. Deprecation is calculated on a straight-line basis during the useful lives, which approximate the following:

Buildings and constructions	5-50 years
Machines and production equipment	5-35 years
Vehicles	5-15 years
Other	3-15 years

Carrying amount of asset, useful life and methods are reviewed and adjusted, if needed, at the end of each financial year.

Gain or loss arising on disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets are accounted at cost, less accumulated amortisation. Amortisation is charged on a straight-line basis over the assets' estimated useful lives, which is 6-15 years.

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an undeterminable useful life is tested for impairment annually and when there is an indication that the asset can be impaired.

The recoverable amount is the higher of fair value less selling costs and value-in-use. In assessing value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct cost of materials and, where applicable, direct labor and overheads incurred to bring inventories to their current location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as a lessor

Income from operating lease is recognized under the straight-line basis over the term of a respective lease.

Group as a lessee

Lease payments under operating lease are expensed under the straight-line basis over the term of a respective lease.

Benefits received and receivable as an incentive to conclude an operating lease are also allocated on a straight-line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognized in the consolidated statement of financial position of the Group when the Group becomes a party to contractual provisions on the instrument. Regular purchases and sales of financial assets are fixed at the transaction date.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate method is a method to calculate the amortized cost of a financial asset and to allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over expected period of the financial asset, or, where appropriate, over a shorter period.

Income is recognized on an effective interest rate basis for debt instruments other than those financial assets designated as FVTPL.

Trade and other accounts receivable

Trade and other receivables are recognized and recorded in the consolidated statement of financial position at invoiced amounts less allowance for doubtful debts. The allowance for doubtful debts is accrued when the debt is unlikely to be fully repaid. The allowance for doubtful debts is accrued by the Group when the debt is not repaid within contractual terms. The allowance for doubtful debts is regularly revised and, if adjustments are necessary, appropriate amounts are recorded in profit or loss in the period in which such need arises.

Other financial assets

Deposits with initial maturity of over three months are recorded in the consolidated statement of financial position as other current financial assets. Deposits with initial maturity of more than a year are recorded in the consolidated statement of financial position as other non-current financial assets.

Cash

Cash includes petty cash and cash held on current bank accounts.

Restricted cash

In accordance with loan agreements on project financing signed with European Bank for Reconstruction and Development ("EBRD"), the Group opened bank escrow accounts, necessary for debt service. Cash held on these bank accounts can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash is restricted in use for the period not exceeding twelve months from the reporting date, such cash is treated as current assets and an appropriate disclosure is provided in the notes to the consolidated financial statements. If cash is restricted in use for the period exceeding twelve months from the reporting date, such cash is reflected within non-current assets.

The Group concludes bank deposit agreements with the minimum kept balance, which are also classified as restricted cash within current and non-current assets in the consolidated statement of financial position.

Impairment of financial assets

Impairment of any financial assets, except for FVTPL, is assessed on each reporting date. Financial assets are impaired when there is objective evidence that as a result of one or several events after the initial recognition of a financial asset future cash flows from the investment were affected.

For any other financial assets, the objective evidence of impairment can include the following:

- significant financial difficulties of issuers or counterparties; or
- default or delay on interest or principal; or
- probable bankruptcy or reorganization of the borrower.

For some categories of financial assets, such as trade accounts receivable, assets which are deemed not to be impaired separately will be subsequently assessed for impairment jointly. The objective evidence of trade accounts receivable impairment may include the previous experience of the Group with regard to collection, increase in outstanding amounts delayed for more than 60 days, and observed changes in the national economy directly affecting the defaults on accounts receivable.

For the financial assets recorded at amortised cost, impairment is equal to the difference between the carrying amount of the asset and present value of estimated cash flow discounted at the initial effective interest rate.

Carrying amount of the financial asset is reduced by impairment loss directly for all financial assets, except for trade accounts receivable where carrying amount of non-recoverable accounts receivable is reduced by allowance for doubtful debts. When trade accounts receivable are not collectable, they are written off against previously created allowance for doubtful debts. Allowance for doubtful debts is reversed for subsequent recovery of previously written off amount. Changes in the carrying amount of the provision are recognized in profit or loss.

Except for equity instruments available-for-sale, if in the subsequent period the amount of the impairment loss is decreased and the decrease can be objectively related to the event occurring after recognition of impairment, then the previously recognized impairment loss is reversed in profit or loss, and the carrying value of the financial assets at the date of reverse shall not exceed the carrying value, which would be reflected if impairment loss had not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the nature of the contractual arrangements entered into and the definitions of financial liabilities and equity instruments. An equity instrument is any contract that evidences residual interest in the Group's assets after all of its liabilities are deducted. The accounting policy accepted for specific financial liabilities and equity instruments is discussed below.

Bank loans and debt securities

Bank loans and debt securities, after initial recognition, are recorded at the amortized cost using effective interest rate method.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially recorded at the fair value and subsequently at amortized cost using the effective interest rate method.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported on a net-basis in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle them on a net-basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains rights to receive cash flows from asset, but assumed an obligation to pay them fully without significant delay to a third party in accordance with transfer agreement, and transferred, all risks and rewards of the asset; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when it is discharged, cancelled or expires.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs also include exchange differences arising as a result of loans in foreign currency to the extent they are considered an adjustment of interest payments. The amount of the exchange difference capitalized in the form of an adjustment of interest expenses does not exceed the amount of interest expenses, which the Group would have capitalized, had the loan been taken in local currency. Any excess in exchange differences is charged to profit or loss.

Income received as a result of temporary investment of the received borrowings till their disbursement for acquisition of qualified assets is deducted from borrowing costs.

All other borrowing costs are recognized through profit or loss in the period in which they are incurred.

Interest rate on loan agreements with the EBRD dated 26 March 2011 includes all-in cost. All-in-cost represents the cost of financing the loan (fees, commissions and etc.), which are paid by the Group during the term of the loan, in accordance with loan agreements.

Revenue recognition

Revenue is determined at the fair value of the consideration received or receivable and represents amounts receivable for electricity and heat services provided in the normal course of business, net of discounts and Value Added Tax ("VAT").

Revenue from sales of electricity and heat is included in profit or loss at the moment of delivery to consumers. The basis for accrual of revenue on transmission and distribution of electricity and heat and production of heat energy are tariffs approved by the Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Revenue from sales of goods is included into profit or loss, when goods are delivered and significant risk and rewards of ownership of the goods were transferred to the buyer.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current income tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current income tax expense is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax recognized on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other claims and liabilities in transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. Deferred taxes are charged or credited to profit or loss, except when they relate to items charged or credited directly to other comprehensive income or equity.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

Social tax

The Group pays social tax according to the existing legislation of the Republic of Kazakhstan. The effective rate of social tax for the Group during 2012 and 2011 was approximately 6% of gross income of employees. The social tax and salary of the personnel are expensed in the period as accrued.

Pension contributions

The Group withholds 10% form the salary of its employees as contributions to the cumulative pension funds but not more than 130,793 tenge per month in 2012 (2011: not more than 119,993 tenge per month). According to the legislation of the Republic of Kazakhstan, pension contributions are obligations of the employee, and the Group carries no current or future obligations on pension contributions after their retirement.

Retirement benefit costs

According to the collective agreement the Group pays certain benefits to its employees after the retirement ("Defined benefit pension plan"). According to this agreement the Group ensures the following main payments and benefits:

- one-time benefit upon retirement;
- one-time premium upon a jubilee.

Obligations and expenses on benefits according to the defined benefit pension plan are determined using the projected unit credit method. This method considers each worked year as increasing the right for a benefit by an additional unit and measures each unit separately for recognition of the final obligation. The expenses on benefits are recorded in profit or loss in order to distribute the final benefits during the service time of workers according to the benefit formula under the defined benefit pension plan. This obligation is measured at the current value of estimated future cash flows using the discount rate similar to the rate of return on state bonds, currency and terms on which are comparable with the currency and estimated terms of the obligation under the defined benefit pension plan.

The Group recognizes actuarial gains and losses arising from revaluation of employee benefit obligations in the period when they occurred within expenses on employee benefits.

Provisions

Provisions are recognized 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 embodying economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are revised at each reporting date and adjusted to reflect the best current estimate.

Where the impact of time value of money is significant, the amount of the provision is calculated as the current value of expenses which are expected to settle the obligations. Where the discounting is used, the increase in the provision reflecting the period of past time is recognized as finance cost.

Contingent liabilities

Contingent liabilities are not recognized in the consolidated financial statements, except when an outflow of resources representing economic benefits is probable to repay liabilities and the amount of such liabilities can be measured reliably. A contingent asset is not recognized in the consolidated financial statements, but disclosed when an inflow of economic benefits related to such assets is probable.

Related party transactions

In preparation of these consolidated financial statements, the following parties were considered as related parties:

A party is related if:

(a) directly, or indirectly through one or more intermediaries, the party:
  i) controls, is controlled by, or is under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
  ii) has an interest in the Group that gives it significant influence over the Group; or
  iii) has joint control over the Group;
(b) the party is an associate of the Group;
(c) the party is a joint venture in which the Group is a venturer;
(d) the party is a member of the key management personnel of the Group or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party represents a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party, attention is directed to the substance of the relationship and not merely its legal form.

(in thousands of Tenge)

5. SEGMENT REPORTING

In the reporting period, the Group revised its segment allocation methodology, adopted changes, which the Group believes disclose reportable segments in more detail. Information reported to the President of the Group, the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided and, accordingly, the Group identifies five main segments: production of heat and electric power, transmission and distribution of electric power, transmission and distribution of heat, sale of heat and electric power and other, which include the sale of chemical water, control over capacity and sale of chemical products. Other services do not exceed the quantitative thresholds, therefore, do not require a separate disclosure.

The Group monitors the multiple profitability ratios such as: profit before tax, profit for the year and gross profit. Despite this, the profit for the year is the ratio used for the purpose of resource allocation and assessment of segment performance.

	For the year ended 31 December 2012					
Key operational activities	**Production of heat and electric power**	**Transmission and distribution of electric power**	**Transmission and distribution of heat**	**Sale of heat and electric power**	**Other**	**Total**
Total revenue	36,294,427	8,653,023	3,928,505	57,734,149	551,322	107,161,426
Intrasegment revenue	(7,755,718)	(99,218)	(14,680)	(24,440,375)	(354,670)	(32,664,661)
Revenue from sales to external customers	28,538,709	8,553,805	3,913,825	33,293,774	196,652	74,496,765
Cost of sales	(17,958,993)	(6,676,557)	(4,314,399)	(30,008,699)	(196,652)	(59,155,300)
General and administrative expenses	(839,264)	(861,804)	(1,394,654)	(1,763,435)	(375,878)	(5,235,035)
Selling expenses	(43,106)	-	-	(1,055,792)	-	(1,098,898)
Finance cost	(2,290,296)	(9,069)	(40,554)	(76,310)	-	(2,416,229)
Finance income	313,497	5,706	4,189	613	322,725	646,730
Foreign exchange loss	(56,461)	(194)	2,773	(1,141)	52,742	(2,281)
Other income	244,420	132,570	203,768	218,940	(7,465)	792,233
Income tax expense	(1,683,863)	(233,712)	70,477	(107,422)	(9,149)	(1,963,669)
Profit for the year	6,224,643	910,745	(1,554,575)	500,528	(17,025)	6,064,316
Other key segment information						
Capital expenditure on property, plant and equipment	10,320,889	2,069,417	2,382,938	80,524	-	14,853,768
Depreciation of property, plant and equipment	2,784,538	776,396	361,689	50,859	18,305	3,991,787

(in thousands of Tenge)

	For the year ended 31 December 2011					
Key operational activities	**Production of heat and electric power**	**Transmission and distribution of electric power**	**Transmission and distribution of heat**	**Sale of heat and electric power**	**Other**	**Total**
Total revenue	34,636,943	7,025,018	3,710,103	49,281,300	733,610	95,386,974
Intrasegment revenue	(7,165,495)	(75,935)	(18,208)	(21,764,621)	(544,345)	(29,568,604)
Revenue from sales to external customers	27,471,448	6,949,083	3,691,895	26,857,758	189,265	65,159,449
Cost of sales	(16,552,005)	(5,709,639)	(3,623,407)	(25,221,175)	(229,503)	(51,335,729)
General and administrative expenses	(1,075,713)	(792,913)	(1,272,055)	(766,295)	(174,686)	(4,081,662)
Selling expenses	(15,907)	-	-	(1,046,156)	9,905	(1,052,158)
Finance cost	(2,103,570)	(5,233)	(46,923)	(68,416)	-	(2,224,142)
Finance income	634,471	7,155	6,035	-	532,449	1,180,110
Foreign exchange loss	(155,473)	(707)	(4,249)	(15)	76,819	(83,625)
Impairment loss on property, plant and equipment	(170,330)	(55,728)	(26,679)	(3,787)	-	(256,524)
Other income	69,008	81,049	(18,935)	444,603	(25,323)	550,402
Income tax expense	(1,836,587)	(123,931)	124,861	(71,938)	(58,485)	(1,966,080)
Profit for the year	6,265,342	349,136	(1,169,457)	124,579	320,441	5,890,041
Other key segment information						
Capital expenditure on property, plant and equipment	9,572,019	1,497,269	2,115,979	24,091	-	13,209,358
Depreciation of property, plant and equipment	1,932,456	698,089	291,934	43,630	868	2,966,977

(in thousands of Tenge)

6. PROPERTY, PLANT AND EQUIPMENT

As at 31 December, movement of property, plant and equipment was presented as follows:

Revalued cost	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2011	**16,012,274**	**40,386,512**	**428,871**	**189,584**	**11,654,338**	**68,671,579**
Additions	14,253	595,871	80,343	28,199	5,875,810	6,594,476
Revaluation	3,748,614	9,115,123	80,400	5,514	-	12,949,651
Elimination of accumulated depreciation	(2,594,423)	(7,690,857)	(172,757)	(64,592)	-	(10,522,629)
Transfers from inventories	-	487	-	515	11,797,587	11,798,589
Internal transfers	241,518	15,787,867	-	(37)	(16,029,348)	-
Change in estimate on ash disposal area restoration	333,845	-	-	-	-	333,845
Disposals	(22,485)	(426,480)	(20,099)	(18,306)	(9,246)	(496,616)
At 31 December 2011	**17,733,596**	**57,768,523**	**396,758**	**140,877**	**13,289,141**	**89,328,895**
Additions	10,155	397,422	75,467	45,013	10,956,182	11,484,239
Transfers from inventories	-	8,315	-	877	3,926,552	3,935,744
Internal transfers	3,482,168	8,351,761	(2,861)	(92)	(11,830,976)	-
Change in estimates on ash disposal area restoration	2,024	-	-	-	-	22,024
Disposals	(35,821)	(106,235)	(107)	(4,868)	(400)	(147,431)
At 31 December 2012	**21,212,122**	**66,419,786**	**469,257**	**181,807**	**16,340,499**	**104,623,471**
Accumulated depreciation and impairment						
At 1 January 2011	**(1,989,540)**	**(5,647,096)**	**(140,012)**	**(67,994)**	**143**	**(7,844,499)**
Depreciation charge for the year	(695,272)	(2,198,729)	(45,996)	(26,980)	-	(2,966,977)
Impairment loss	-	-	-	-	(452)	(452)
Elimination of accumulated depreciation	2,594,423	7,690,857	172,757	64,592	-	10,522,629
Disposals	7,970	114,464	13,251	7,990	-	143,675
At 31 December 2011	**(82,419)**	**(40,504)**	-	**(22,392)**	**(309)**	**(145,624)**
Depreciation charge for the year	(900,388)	(2,999,329)	(62,605)	(29,465)	-	(3,991,787)
Disposals	1,589	3,577	23	70	-	5,259
At 31 December 2012	**(981,218)**	**(3,036,256)**	**(62,582)**	**(51,787)**	**(309)**	**(4,132,152)**
Net book value						
At 31 December 2012	**20,230,904**	**63,383,530**	**406,675**	**130,020**	**16,340,190**	**100,491,319**
At 31 December 2011	**17,651,177**	**57,728,019**	**396,758**	**118,485**	**13,288,832**	**89,183,271**

(in thousands of Tenge)

The Group's property, plant and equipment were revalued by independent appraiser as at 31 December 2011. The fair value of property, plant and equipment at the specified date was determined in aggregate by the following generally used valuation approaches: market, income and cost approaches. The management believes that the results of the revaluation appropriately reflect economic condition of the Group's property, plant and equipment at that date.

As a result of revaluation in 2011 the Group recognized increase in cost of property, plant and equipment of 13,206,175 thousand tenge, which was recognized in other comprehensive income, also the Group recognized impairment loss on property, plant and equipment of 256,524 thousand tenge, which was recognized in profit or loss.

Net book value of each class of property, plant and equipment, which would be recognized in the consolidated financial statements, had property, plant and equipment been recorded at cost less accumulated depreciation and accumulated provision for impairment losses, would be presented as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
At 31 December 2012	14,197,412	48,695,410	231,555	97,708	16,340,190	**79,562,275**
At 31 December 2011	11,366,985	42,556,176	219,031	96,730	13,288,832	**67,527,754**

For the years ended 31 December 2012 and 2011, the Group capitalized interest expenses on bank loans of 278,227 thousand tenge and 213,391 thousand tenge, respectively.

As at 31 December 2012 and 2011, net book value of pledged property, plant and equipment was equal to 41,862,408 thousand tenge and 31,099,328 thousand tenge, respectively (Notes 19 and 24).

As at 31 December 2012 and 2011, fully depreciated property, plant and equipment at revalued cost amounted to 21,224 thousand tenge and nil, respectively.

7. GOODWILL

For the years ended 31 December 2012 and 2011, movement of goodwill was presented as follows:

	2012	2011
Cost		
At 1 January	2,424,419	2,424,419
Goodwill on disposed investments	-	-
At 31 December	2,424,419	2,424,419

(in thousands of Tenge)

The carrying amount of goodwill was allocated to cash-generating units as follows:

	JSC PAVLODAR-ENERGO	LLP Astana-energosbyt	Total
Goodwill recognized at 31 December 2011	1,687,141	737,278	2,424,419
Goodwill recognized at 31 December 2012	1,687,141	737,278	2,424,419

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

Due to stable conditions in the market, annual increase in tariffs for heat and electric energy and positive cash flow forecasts for these cash generating units no impairment of goodwill was identified as at 31 December 2012 and 2011.

8. OTHER NON-CURRENT ASSETS

As at 31 December 2012 and 2011, other non-current assets consisted of the following:

	31 December 2012	31 December 2011
Advance paid for property, plant and equipment and intangible assets	6,538,563	4,497,453
Long-term portion of VAT receivable	444,670	-
Other	13,456	183,659
	6,996,689	4,681,112

9. OTHER FINANCIAL ASSETS AND RESTRICTED CASH

As at 31 December 2012 and 2011, other financial assets and restricted cash consisted of the following:

	31 December 2012	31 December 2011
Other financial assets:		
Deposits with maturity of more than three months to one year	9,080,161	12,147,808
Interest receivable	35,644	621,778
	9,115,805	12,769,586
Restricted cash:		
Cash on debt service reserve accounts (Note 19)	357,022	253,025
Minimum balance on deposits	267,010	100,000
	624,032	353,025

(in thousands of Tenge)

In 2012, the Group recognized interest income totaling to 429,367 thousand tenge (2011: 960,921 thousand tenge) (Note 34).

In 2012, interest rates on deposits were 2.8%-9% (2011: 5.3%-10.5%).

Other financial assets and restricted cash as at 31 December 2012 and 2011, were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	7,573,638	9,059,558
US Dollars	2,166,199	4,063,053
	9,739,837	13,122,611

10. INVENTORIES

As at 31 December 2012 and 2011, inventories consisted of the following:

	31 December 2012	31 December 2011
Raw materials	1,155,744	901,534
Spare parts	1,219,451	892,935
Fuel	521,358	418,323
Rolled metal products	233,703	220,399
Construction materials	90,510	69,853
Tools and metering devices	78,278	33,442
Chemicals	26,105	50,079
Uniforms	13,764	20,464
Isolating materials	12,358	19,976
Other	92,608	80,747
	3,443,879	2,707,752
Allowance for slow-moving inventories	(89,994)	(78,719)
	3,353,885	2,629,033

For the years ended 31 December, movement in allowance for slow-moving inventories was as follows:

	2012	2011
At 1 January	(78,719)	(60,027)
Accrued (Note 31)	(11,275)	(18,692)
At 31 December	(89,994)	(78,719)

(in thousands of Tenge)

11. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2012 and 2011, trade accounts receivable consisted of the following:

	31 December 2012	31 December 2011
Sale and transmission of electricity and heat	11,018,242	9,089,575
Sale of inventories and provision of other services	476,532	473,237
Other	48,282	46,673
	11,543,056	9,609,485
Allowance for doubtful debts	(1,891,975)	(1,782,328)
	9,651,081	7,827,157

The average credit period on sales of services is 30 days. No interest is charged on trade accounts receivable for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balance at average refinancing rate 5.5% (2011: 7%). The Group recognized an allowance for doubtful debts of 100%, 50%, 25%, and 5% against all receivables outstanding for more than 365 days, 271-365 days, 181-270 days, and 90-180 days, respectively. The Group outsource independent legal firm for collecting receivables over 180 days. Irrecoverable amounts are written off against previously created allowance.

For the years ended 31 December, the movement in the allowance for doubtful debts was as follows:

	2012	2011
At 1 January	(1,782,328)	(1,974,988)
(Accrued)/recovered	(411,495)	22,539
Written-off against previously created provision	301,848	170,121
At 31 December	(1,891,975)	(1,782,328)

Allowance of trade accounts receivable that are past due is presented as follows:

	31 December 2012	31 December 2011
90-180 days	66,003	46,033
181-270 days	63,362	45,927
271-365 days	294,095	247,842
more than 365 days	1,468,515	1,442,526
	1,891,975	1,782,328

The Group does not hold any collateral over trade accounts receivable.

The concentration of credit risks is limited due to the fact that the customer base is large and unrelated. Customer base comprises of population (45%) and legal entities (55%) in Astana, Pavlodar and Petropavlovsk cities.

(in thousands of Tenge)

Trade accounts receivable as at 31 December 2012 and 2011, were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	9,642,214	7,808,166
Russian rouble	8,867	18,991
	9,651,081	7,827,157

12. ADVANCES PAID

As at 31 December 2012 and 2011, advances paid consisted of the following:

	31 December 2012	31 December 2011
For services	585,972	878,825
For goods	483,323	274,941
Other	7,314	6,971
	1,076,609	1,160,737
Allowance for doubtful debts	(58,244)	(231,124)
	1,018,365	929,613

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2012	2011
At 1 January	(231,124)	(264,490)
Recovered	172,880	33,366
At 31 December	(58,244)	(231,124)

13. TAXES RECEIVABLE AND PREPAID TAXES

As at 31 December 2012 and 2011, taxes receivable and prepaid taxes consisted of the following:

	31 December 2012	31 December 2011
Value added tax	925,522	758,268
Withholding tax	77,784	40,349
Property tax	17,955	5,856
Other	6,258	5,295
	1,027,519	809,768

(in thousands of Tenge)

14. OTHER ACCOUNTS RECEIVABLE

As at 31 December 2012 and 2011, other accounts receivable consisted of the following:

	31 December 2012	31 December 2011
Interest-free loan	1,365,881	1,703,543
Accrued penalties	578,126	143,137
Receivables on court proceedings	261,677	247,221
Receivables from employees and shortages	119,008	33,742
Prepaid expenses	57,445	37,373
Other	580,349	510,448
	2,962,486	2,675,464
Allowance for doubtful debts	(270,156)	(121,290)
	2,692,330	2,554,174

As at 31 December 2012, interest-free loan included:

(a) An interest-free loan of 1,344,540 thousand tenge issued to the shareholder, JSC CAPEC (31 December 2011: 1,544,820 thousand tenge). The Group recorded interest-free loan at amortized cost using the effective interest rate of 11.6%-12.5% (2011: 12.5%). As a result, the Group recognized in equity the fair value adjustment of 260,722 thousand tenge net of deferred tax of 52,214 thousand tenge (31 December 2011: 171,842 thousand tenge less deferred tax of 34,369 thousand);

(b) An interest-free loan of 21,341 thousand tenge, issued to LLP Avtotransportnoe predpriyatie SevKazEnergo (31 December 2011: 30,870 thousand tenge);

(c) An interest-free loan as at 31 December 2011, of 127,853 thousand tenge, issued to LLP Aksar-Pavlodar, which is not a related party to the Group. The loan was granted in order to assist in the development of the social sphere of the Pavlodar region. In 2012, an interest-free loan was fully repaid.

For the year ended 31 December 2012, the Group recognized interest income as a result of amortization of the fair value adjustment of interest-free loans of 181,591 thousand tenge (2011: 201,754 thousand tenge) (Note 34).

As at 31 December 2012 and 2011, accrued penalties of 578,126 thousand tenge and 143,137 thousand tenge, respectively, represented penalties imposed on JSC Trest Sredazenergomontazh, LLP Sredazenergomontazh Pavlodar and individuals for the late fulfillment of the terms of the contracts for delivery of materials, construction works and acquisition of heat and electricity.

(in thousands of Tenge)

For the years ended 31 December, movement in allowance for doubtful debts was as follows:

	2012	2011
At 1 January	(121,290)	(152,501)
Accrued	(167,884)	(43,901)
Written off against previously created provision	19,018	75,112
At 31 December	(270,156)	(121,290)

As at 31 December 2012 and 2011, other accounts receivable were denominated in tenge.

15. CASH

As at 31 December 2012 and 2011, cash consisted of the following:

	31 December 2012	31 December 2011
Cash on bank accounts	840,431	1,112,833
Petty cash	145,081	229,967
Cash in transit	1,110	2,178
	986,622	1,344,978

As at 31 December 2012 and 2011, the right for future cash receipts under public service agreements and incoming cash transfers on account of LLP Astanaenergosbyt, the subsidiary, are limited to the amount of loan, was pledged as a collateral within the frame of credit line in JSC Eximbank Kazakhstan (Note 24).

As at 31 December 2012 and 2011, cash were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	978,180	1,344,978
US Dollars	8,438	-
Euro	4	-
	986,622	1,344,978

(in thousands of Tenge)

16. SHARE CAPITAL

As at 31 December 2012 and 2011, share capital consisted of the following:

	31 December 2012		31 December 2011	
	Interest	**thousand tenge**	**Interest**	**thousand tenge**
JSC CAPEC	62.12%	19,968,884	62.12%	19,968,884
EBRD	24.99%	10,333,660	24.99%	10,333,660
KAZ HOLDINGS COOPERATIEF U.A.	12.89%	7,287,501	12.89%	7,287,501
	100%	37,590,045	100%	37,590,045

In 2011, the Company entered into a subscription agreement with the Islamic Infrastructure Fund (hereinafter – "IIF"), according to which IIF acquired 12.89% shares of the Company of 7,287,501 thousand tenge. As at 31 December, under the Treaty of Innovations dated 12 April 2011, KAZ HOLDINGS COOPERATIEF U.A. is the successor of IIF.

In 2012 and 2011, the shareholders of the Group declared dividends of 883,505 thousand tenge and 1,201,824 thousand tenge, respectively.

17. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2012 and 2011, additional paid-in capital of 1,348,105 thousand tenge included:

- the difference between net book value of property, plant and equipment received by the Group under the finance lease agreement and minimum value of discounted lease payments under this lease. During the finance lease the founder transferred part of the property, plant and equipment under the agreement into the share capital of the Group, and the additional paid-in capital was adjusted accordingly;
- the revenue from factoring operations due to acquisition and subsequent sale of the right claim from related party at the value greater than the actual cost of this claim;
- the fair value adjustment of interest-free loans issued to JSC CAPEC.

18. BONDS ISSUED

In July 2007, JSC PAVLODARENERGO, the subsidiary, declared an issuance of 80,000,000 coupon bonds totaling 8,000,000 thousand tenge with par value of 100 tenge, with an indexed interest rate of 6.8%-13%, semi-annual coupon payments and maturity of 10 years.

In December 2009, JSC SEVKAZENERGO, the subsidiary, declared an issuance of 80,000,000 coupon bonds totaling 8,000,000 thousand tenge with par value of 100 tenge, with a fixed interest rate of 12.5%, semi-annual coupon payments and maturity of 10 years.

(in thousands of Tenge)

As at 31 December 2012 and 2011, bonds issued were presented as follows:

Bonds placed at price	Maturity date	Interest rate, per annum	31 December 2012	31 December 2011
76.05%	10 July 2017	6.8%-13%	1,902,320	1,902,320
96.22%	10 July 2017	6.8%-13%	1,499,900	1,499,900
101.24%	10 July 2017	6.8%-13%	500,000	500,000
105.47%	10 July 2017	6.8%-13%	948,000	948,000
86.31%	10 July 2017	6.8%-13%	1,159,000	1,159,000
82.55%	10 July 2017	6.8%-13%	840,500	840,500
87.39%	10 July 2017	6.8%-13%	549,900	549,900
76.63%	10 July 2017	6.8%-13%	502,000	502,000
99.96%	10 January 2020	12.5%	1,999,990	1,999,990
103.50%	10 January 2020	12.5%	1,820,000	1,820,000
119.03%	10 January 2020	12.5%	567,400	-
115.24%	10 January 2020	12.5%	1,670,000	-
123.13%	10 January 2020	12.5%	5,100	-
124.13%	10 January 2020	12.5%	5,100	-
			13,969,210	11,721,610
Including/(excluding):				
(Discount on bonds issued)			(716,536)	(196,958)
Premium on bonds issued			431,347	90,638
Accumulated interest on bonds issued			583,028	578,293
(Repurchase of bonds issued)			(5,500)	(663,241)
			14,261,549	11,530,342
Less: current portion of bonds issued			(583,028)	(578,293)
			13,678,521	10,952,049

The bonds issued are repayable as follows:

	31 December 2012	31 December 2011
In the second to the fifth years inclusive	7,185,677	-
After five years and later	6,492,844	10,952,049
	13,678,521	10,952,049

(in thousands of Tenge)

19. LONG-TERM LOANS

As at 31 December 2012 and 2011, loans consisted of the following:

	Interest rate %	Currency	31 December 2012	31 December 2011
(a) SB JSC Sberbank of Russia	10%	Tenge	3,515,044	4,586,987
(b) EBRD	Libor + 3%	US Dollars	3,230,143	3,816,000
(c) EBRD	All-in-cost + 4.5%	Tenge	4,440,000	2,220,000
(c) Clean Technology Fund (CTF)	0.75%	US Dollars	1,379,271	370,100
Interest payable			169,186	147,764
			12,733,644	11,140,851
Less:				
Fair value adjustment of CTF loan (Note 20)			(950,279)	(241,994)
Unamortized part of lump-sum commission			(39,052)	(45,074)
Total			11,744,313	10,853,783
Less: current portion of long-term loans			(1,991,364)	(1,828,499)
			9,752,949	9,025,284

(a) On 1 October 2008, JSC SEVKAZENERGO, the subsidiary, concluded agreement on opening of a revolving credit line with SB JSC Sberbank of Russia of 6,111,839 thousand tenge, with maturity in 2015. The loan is repaid quarterly, starting from 2012, interest on the loan is paid on a quarterly basis. The loan was received based on the decision of the founders for refinancing the debt of JSC CAPEC. As at 31 December 2012, the credit limit comprises 4,114,641 thousand tenge (31 December 2011: 4,703,641 thousand tenge).

(b) On 29 November 2007, JSC PAVLODARENERGO, the subsidiary, concluded an agreement with EBRD for the loan totaling 30,000,000 US dollars with maturity in 2017. The loan is repaid by annual payments, starting from 2011. Interest on the loan is paid semi-annually according to the schedule. For the years ended 31 December 2012 and 2011, the effective interest rate was 3.62%.

(c) On 26 March 2011, LLP Pavlodar Thermal Networks, the subsidiary of JSC PAVLODARENERGO, and EBRD signed a loan agreement, aimed for reconstruction and modernization of municipal heating networks in Pavlodar city of 3,991,280 thousand tenge. Funding will be provided as follows: 2,997,000 thousand tenge – in two tranches from the general resources of EBRD, and 6,750,000 US dollars - from the resources of Clean Technology Fund (CTF). Interest rates are All-in-cost+4.5% and 0.75%, respectively. The loan is settled by 20 equal semi-annual installments starting from 2014 and 2022, respectively. Interest is paid in quarterly payments. On 16 June 2011, the tranche of 1,498,500 thousand tenge was received from EBRD. In January 2012, a second tranche was received of 1,498,500 thousand tenge. On 30 December 2011, the tranche was received from CTF of 2,500,000 US dollars or 370,100 thousand tenge and in 2012 the tranche was received of 4,250,000 thousand tenge or 640,645 thousand tenge. In 2012, the effective interest rate on tranche received from EBRD amounted to 9.63% (2011: 7.52%).

As at 31 December 2012, the subsidiary recognized CTF loan at fair value, using effective interest rate of 7.38% (2011: 7.63%) and, as a result, recognized fair value adjustment of this loan of 765,951 thousand tenge (31 December 2011: 241,994 thousand tenge) in deferred revenue (Note 20). For the year ended 31 December 2012, the subsidiary amortized fair value adjustment of this loan of 11,602 thousand tenge, which was capitalized to property, plant and equipment. JSC CAEPCO acted as a guarantor for that loan.

On 26 March 2011, LLP Petropavlovsk Thermal Networks, the subsidiary of JSC SEVKAZENERGO, and EBRD concluded loan agreement, aimed for reconstruction and modernization of municipal heating networks in Petropavlovsk city of 1,924,000 thousand tenge. The funding will be as follows: 1,443,000 thousand tenge – in two tranches from general resources of EBRD, and 3,250,000 US Dollars - from the resources of CTF. Interest rates are All-in-cost+4.5% and 0.75%, respectively. The loan is settled by 20 equal semi-annual installments starting from 2014 and 2022, respectively. Interest is paid in quarterly payments. On 30 June 2011, the tranche of 721,500 thousand tenge was received from EBRD. On 25 January 2012, the second tranche was received of 721,500 thousand tenge. In 2012, the effective interest rate on tranche received from EBRD amounted to 7.26% (2011: 7.38%). On 21 February 2012, the tranche was received from CTF of 2,400,000 US Dollars or 361,776 thousand tenge. As at 31 December 2012, the subsidiary recorded CTF loan at fair value, using effective interest rate of 7.38% and, as a result, recognized fair value adjustment on this loan of 202,383 thousand tenge (31 December 2011: nil tenge) in deferred revenue (Note 20). For the year ended 31 December 2012, the subsidiary amortized fair value adjustment of this loan of 6,453 thousand tenge, which was capitalized to property, plant and equipment. JSC CAEPCO acted as a guarantor for that loan.

The Group uses debt service reserve accounts for servicing of loans indicated above. During the semi-annual period preceding the payment date, the Group accumulates funds on these accounts. Since these funds can be used exclusively for the purposes defined in the loan agreements, as at 31 December 2012 the Group classified restricted cash within non-current and current assets in the consolidated statement of financial position of 10,000 thousand tenge and 347,022 thousand tenge, respectively (31 December 2011: 10,000 thousand tenge and 243,025 thousand tenge, respectively).

As at 31 December 2012 and 2011, loans were secured by property, plant and equipment (Note 6).

(in thousands of Tenge)

The loans are repayable as follows:

	31 December 2012	31 December 2011
During the second year	2,146,937	1,277,360
In the second to the fifth years inclusive	3,443,517	5,945,726
After five years and later	4,162,495	1,802,198
	9,752,949	9,025,284

As at 31 December 2012 and 2011, long-term loans were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	8,044,927	6,889,925
US Dollars	3,699,386	3,963,858
	11,744,313	10,853,783

20. DEFERRED REVENUE

As at 31 December 2012 and 2011, deferred revenue of 1,122,250 thousand tenge and 491,803 thousand tenge, respectively, is represented by:

(a) an adjustment of guarantee fees for additional capacity of 153,916 thousand tenge (31 December 2011: 249,809 thousand tenge), decreased by accrued interest income for 2012 of 8,889 thousand tenge (2011: 10,029 thousand tenge) (Note 34) and effect of change in estimate in 2012 of 1,843 thousand tenge.

(b) fair value adjustment of loan from CTF of 968,334 thousand tenge (31 December 2011: 241,994 thousand tenge) (Note 19).

21. LONG-TERM ACCOUNTS PAYABLE

As at 31 December 2012 and 2011, long-term accounts payable consisted of the following:

	31 December 2012	31 December 2011
Guarantee fees for additional capacity	237,969	380,705
Discount on guarantee fees for additional capacity	(160,993)	(253,673)
Current portion of guarantee fees for additional capacity (Note 28)	(36,265)	(20,009)
	40,711	107,023

The Group records liabilities at amortized cost using effective interest rate of 12.5%-14.4%. As at 31 December 2012, the Group recognized fair value adjustment of guarantee fees for additional capacity as deferred revenue (Note 20).

(in thousands of Tenge)

The Group reclassified part of received guarantee fees subject to reimbursement to other accounts payable. As at 31 December 2012, the liability on return of the guarantee fees for additional capacity amounted to 35,241 thousand tenge (31 December 2011: 36,816 thousand tenge), which is recorded within other liabilities (Note 28).

The amortization of the discount for the years ended 31 December 2012 and 2011 was recognized within finance costs of 7,787 thousand tenge and 10,103 thousand tenge, respectively (Note 33).

22. ASH DISPOSAL AREA RESTORATION LIABILITIES

For production purposes the Group uses six ash disposal areas. At the end of the useful life these ash disposal areas should be restored. As at 31 December 2012 and 2011 the Group estimated total ash disposal area restoration liability at amortized cost of 408,775 thousand tenge and 441,464 thousand tenge, respectively. This liability was discounted at effective interest rate of 12%-14%, which represents a market financing rate.

For the years ended 31 December 2012 and 2011, movement in ash disposal area restoration liability was as follows:

	2012	2011
At 1 January	441,464	207,049
Finance cost (Note 33)	100,714	65,685
Restored during the year	(155,427)	(165,115)
Change in estimate (Note 6)	22,024	333,845
At 31 December	408,775	441,464
Current portion	155,427	150,111
Long-term portion	253,348	291,353
	408,775	441,464

(in thousands of Tenge)

23. EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2012 and 2011, the Group concluded collective agreements with employees of JSC PAVLODARENERGO (including its subsidiaries) and JSC SEVKAZENERGO (including its subsidiaries).

Employee benefit obligations are paid under the collective agreement concluded between the Group and employees.

As at 31 December 2012 and 2011, total employee benefit obligation of the Group comprised of:

	31 December 2012	31 December 2011
Present value of current liability	8,841	7,954
Present value of non-current liability	92,071	72,654
	100,912	80,608

Below is the reconciliation of the carrying value of employee benefit obligations for the years ended 31 December:

	2012	2011
Total liabilities at the beginning of the year	80,608	75,277
Current service costs	10,028	8,332
Interest cost	6,029	5,924
Payments for the year	(14,358)	(11,290)
Actuarial loss	18,605	2,365
Total liabilities at the end of the year	100,912	80,608

Current service cost, interest cost and actuarial loss were recognized in cost of sales and general and administrative expenses of 18,969 thousand tenge and 15,693 thousand tenge, respectively (2011: 8,565 thousand tenge and 8,056 thousand tenge, respectively) (Notes 30 and 31).

The calculations of the obligations of the Group were prepared on the basis of published statistical data on mortality, and actual data on the number, age, sex and length of service of employees and pensioners of the Group, and statistics on changes in the quantity of personnel. Other main assumptions at the reporting date are presented below:

	2012	2011
Discount rate	5.82%-7.87%	7.87%
Expected annual growth of the minimum calculation index	7.00%	7.00%
Expected annual growth of the minimum salary in future	8.00%	9.00%

(in thousands of Tenge)

24. SHORT-TERM LOANS

As at 31 December 2012 and 2011, short-term loans consisted of the following:

	Interest rate %	Currency	31 December 2012	31 December 2011
(a) SB JSC Sberbank of Russia	10-11%	Tenge	3,931,333	3,695,750
(b) JSC Halyk Bank of Kazakhstan	12.5%	Tenge	300,000	300,000
(c) JSC Eximbank Kazakhstan	17%	Tenge	150,000	267,619
			4,381,333	4,263,369
Interest payable			31,890	28,612
Total			4,413,223	4,291,981

(a) On 27 June 2008, JSC SEVKAZENERGO, the subsidiary, opened a credit line with SB JSC Sberbank of Russia maturing on 27 June 2014 bearing an interest rate of 11% per annum. On 29 December 2011, the subsidiary concluded additional agreement whereby interest rate was reduced to 10% per annum. Interest on the loan is payable on a quarterly basis.

On 25 June 2010, LLP Astanaenergosbyt, the subsidiary, opened a credit line with JSC SB Sberbank of Russia with maturity on 25 June 2013. The interest rate on the loan is 10% per annum. Interest on the loan is payable on a monthly basis.

(b) On 23 June 2009, LLP Pavlodarenergosbyt, the subsidiary of JSC PAVLODARENERGO, opened a credit line with JSC Halyk Bank of Kazakhstan maturing on 23 April 2010. In June 2010, an additional agreement was concluded on extension of the credit line to 23 June 2013. Interest on the loan is accrued on the principal amount at effective interest rate of 12.5% per annum and paid semi-annually according to the schedule. According to an additional agreement dated 19 December 2012, the interest rate was reduced to 10% per annum starting from 1 January 2013.

(c) On 28 August 2008, LLP Astanaenergosbyt, the subsidiary, opened a credit line with JSC Eximbank Kazakhstan with availability period of not more than 90 days from the date of signing of each bank loan agreement. An interest rate on the agreement was 17% per annum. On 28 September 2012, the subsidiary concluded an additional agreement on extension of maturity of the credit line till 29 September 2014.

As at 31 December 2012 and 2011, short-term loans were secured by property, plant and equipment (Note 6), and also the right for future cash receipts under public service agreements and incoming cash transfers on account of LLP Astanaenergosbyt, the subsidiary, limited to the amount of the loan (Note 15).

(in thousands of Tenge)

25. TRADE ACCOUNTS PAYABLE

As at 31 December 2012 and 2011, trade accounts payable consisted of the following:

	31 December 2012	31 December 2011
For purchased services	5,414,251	4,797,734
For purchased goods	1,380,601	782,134
For repairs and construction services	495,125	175,105
For fuel	242,749	226,738
For property, plant and equipment	9,400	12,622
Other	362,990	321,386
	7,905,116	6,315,719

As at 31 December 2012 and 2011, trade accounts payable were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	7,314,287	6,171,739
Russian roubles	496,400	143,980
US Dollars	94,429	-
	7,905,116	6,315,719

26. ADVANCES RECEIVED

As at 31 December 2012 and 2011, advances received of 2,139,741 thousand tenge and 1,918,226 thousand tenge, respectively, included advances received for delivery of electricity and heat and other services.

27. TAXES AND NON-BUDGET PAYMENTS PAYABLE

As at 31 December 2012 and 2011, taxes and non-budget payments payable consisted of the following:

	31 December 2012	31 December 2011
Environmental tax	181,717	169,719
Value added tax	98,205	140,088
Personal income tax	62,641	56,822
Social tax	23,044	23,973
Social security liabilities	8,610	7,727
Property tax	17,031	18,307
Other	50,336	21,158
	441,584	437,794

(in thousands of Tenge)

28. OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2012 and 2011, other liabilities and accrued expenses consisted of the following:

	31 December 2012	31 December 2011
Payables to employees	359,007	171,683
Provisions for unused vacations	162,468	154,120
Pension contributions	92,971	79,203
Penalties for non-fulfillment of the terms of agreements	48,902	104,366
Insurance payable	14,485	13,564
Guarantee fees for additional capacity to be reimbursed (Note 21)	35,241	36,816
Current portion of guarantee fees for additional capacity (Note 21)	36,265	20,009
Interest-free financial aid from shareholders	-	200,000
Other	91,725	39,723
	841,064	819,484

29. REVENUE

Revenue for the years ended 31 December, consisted of the following:

	2012	2011
Sale of electricity	46,732,365	40,797,378
Sale of heat energy	14,986,221	13,310,578
Transmission of electricity	8,653,022	7,035,896
Transmission of heat	3,928,505	3,826,330
Other	196,652	189,267
	74,496,765	65,159,449

(in thousands of Tenge)

30. COST OF SALES

Cost of sales for the years ended 31 December, consisted of the following:

	2012	2011
Electricity and heat energy acquired for sale	29,582,131	24,826,077
Fuel	11,061,260	10,040,947
Services received	4,972,510	4,196,035
Payroll and related taxes	4,912,530	4,476,247
Depreciation and amortization	3,745,635	2,820,015
Inventories	2,925,734	3,372,776
Technical water (injection)	582,391	474,720
Transmission of electricity and heat energy	293,676	320,497
Electricity and heat acquired for own use	19,064	19,985
Employee benefit expense (Note 23)	18,969	8,565
Other	1,041,400	779,865
	59,155,300	51,335,729

31. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December, consisted of the following:

	2012	2011
Payroll and related taxes	1,723,544	1,454,164
Taxes, other than income tax	708,304	657,287
Accrual/(recovery) of allowance for doubtful debts (Notes 11, 12, 14 and 35)	406,499	(22,286)
Transportation services	220,999	205,344
Penalties and fines	208,575	48,639
Depreciation and amortization	190,217	90,449
Rent expenses	160,270	145,533
Security	125,349	99,834
Business trip expenses	122,563	55,258
Inventories	122,384	132,368
Consulting services	120,288	103,749
Bank commission	119,922	108,815
Value added tax	117,580	99,986
Legal and audit services	98,890	107,187
Communication expenses	68,446	43,460
Remuneration of the members of the board of directors	67,755	67,017
Sponsorship and financial aid	19,781	48,904
Employee benefit expense (Note 23)	15,693	8,056
Accrual of allowance for slow-moving inventories (Note10)	11,275	18,692
Insurance	10,491	14,478
Losses on consumers' substations	6,491	130,593
Provision for unused vacation	744	27,937
Other	588,975	436,198
	5,235,035	4,081,662

(in thousands of Tenge)

32. SELLING EXPENSES

Selling expenses for the years ended 31 December consisted of the following:

	2012	2011
Payroll and related taxes	652,295	669,356
Bank commission	92,242	87,463
Rent expenses	72,969	76,929
Inventories	58,073	44,691
Transportation services	46,380	45,167
Security	35,436	19,793
Depreciation and amortization	28,579	30,985
Other	112,924	77,774
	1,098,898	1,052,158

33. FINANCE COSTS

Finance costs for the years ended 31 December, consisted of the following:

	2012	2011
Interest expenses on bonds issued	1,144,462	1,079,432
Interest expenses on bank loans	983,196	938,149
Amortization of the discount on bonds	143,662	130,773
Interest expenses on ash disposal area restoration liabilities (Note 22)	100,714	65,685
Expenses on change in fair value of loans to employees	21,408	-
Interest expenses on guarantee fees for additional capacity (Note 21)	7,787	10,103
Other	15,000	-
	2,416,229	2,224,142

34. FINANCE INCOME

Finance income for the years ended 31 December, consisted of the following:

	2012	2011
Interest income from cash placed on the deposits (Note 9)	429,367	960,921
Amortization of fair value adjustment on interest-free loans (Note 14)	181,591	201,754
Interest income on emission of bonds	24,243	7,406
Interest income on guarantee fees (Note 20)	8,889	10,029
Interest income on loans given to employees	2,640	-
	646,730	1,180,110

(in thousands of Tenge)

35. OTHER INCOME

Other income for the years ended 31 December consisted of the following:

	2012	2011
Income from penalties for incompliance with the terms of the contract	623,703	268,549
Income from write-off of accounts payable	125,400	17,961
Rent income	76,778	112,306
Income from sale of inventories	38,804	32,723
Income from assets found during stock count	5,040	31,240
Rent expenses	(45,874)	(31,437)
Expenses on depreciation of property, plant and equipment transferred to operating lease	(44,775)	(34,869)
Accrual of allowance for doubtful debts	-	(10,282)
Other income	13,157	164,211
	792,233	550,402

36. INCOME TAX

Entities incorporated in the Republic of Kazakhstan pay income tax from the taxable profit according to the legislation of the Republic of Kazakhstan.

In 2012 and 2011, income tax rate was 20%.

Income tax expenses for the years ended 31 December, were as follows:

	2012	2011
Current income tax expense	396,334	198,168
Deferred income tax expense	1,567,335	1,767,912
Income tax expense	1,963,669	1,966,080

(in thousands of Tenge)

As at 31 December 2012 and 2011, deferred tax assets and liabilities were as follows:

Deferred tax assets as a result of:	**31 December 2012**	**31 December 2011**
Tax loss carry-forward	1,031,818	748,884
Allowance for doubtful debts	197,734	147,854
Taxes accrued but unpaid	49,332	46,236
Fair value adjustment on interest-free loan issued to JSC CAPEC	38,584	20,169
Ash disposal area restoration liabilities	83,523	89,803
Allowance for slow-moving inventories	12,011	15,744
Provision for unused vacations	32,495	30,822
Deferred revenue	43,764	15,334
Loss from impairment of assets	6,144	-
Fair value adjustment on guarantee fees for additional capacity	16,209	18,656
Other temporary differences	12,921	6,539
Total deferred tax assets	1,524,535	1,140,041
Deferred tax liabilities as a result of:		
Carrying value of property, plant and equipment and intangible assets	(15,922,933)	(14,045,302)
Long-term accounts payable	(37,116)	(13,883)
Discount of guarantee fees for additional capacity	(15,557)	(24,852)
Other temporary differences	(8,046)	-
Total deferred tax liabilities	(15,983,652)	(14,084,037)
Deferred tax liabilities, net, including:	**(14,459,117)**	**(12,943,996)**
Deferred tax liabilities	(14,604,204)	(13,037,819)
Deferred tax assets	145,087	93,823

The movement in deferred taxes for the years ended 31 December, was as follows:

	2012	**2011**
Balance at 1 January	(12,943,996)	(8,569,219)
Increase in deferred tax liabilities	(1,515,121)	(4,374,777)
Balance at 31 December	**(14,459,117)**	**(12,943,996)**
Recorded:		
in profit or loss	(1,567,335)	(1,767,912)
in other comprehensive income	-	(2,641,234)
in equity	52,214	34,369
	(1,515,121)	**(4,374,777)**

(in thousands of Tenge)

Below is a reconciliation of income tax expense for the years ended 31 December, to profit before tax in the consolidated statement of comprehensive income:

	2012	2011
Profit before taxation	8,027,985	7,856,121
Tax at statutory rate of 20%	1,605,597	1,571,224
Change in unrecognized tax assets	55,636	37,165
Income tax related to prior periods	(24)	31,625
Tax effect of permanent differences	302,460	326,066
Income tax expenses	1,963,669	1,966,080

37. RELATED PARTY TRANSACTIONS

The related parties of the Group include shareholders, its subsidiaries and associated companies or companies over which the Group or its shareholders exercise control and key management personnel.

Transactions with related parties are performed on terms that would not necessarily be available to the third parties.

Transactions between the Company and its subsidiaries and jointly controlled companies are excluded on consolidation and not presented in this note.

During the year the entities of the Group had the following transactions on principal and other activities with related parties not included in the Group:

Name	Sale of services		Purchase of services		Purchase of assets	
	2012	2011	2012	2011	2012	2011
LLP Alash-Service	11,858	11,201	-	-	-	-
JSC AREK	7,071	-	3,210,366	-	-	-
JSC Eximbank Kazakhstan	296	295	69,473	62,194	-	-
JSC CAPEC	57	57	137,166	127,364	-	-
LLP IPoint Kazakhstan	-	-	14,281	-	3,585	-
JSC Institute Kaznipienergoprom	-	-	4,493	-	417,324	200,000
Other	104	13,080	2,468	11,530	-	10,723
	19,386	24,633	3,438,247	201,088	420,909	210,723

(in thousands of Tenge)

Balances between the Group and related parties as at the reporting date are presented below:

Name	Due from related party		Due to related party	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
JSC CAPEC	1,344,560	1,344,820	71,112	255,534
JSC AREK	-	-	105,308	-
JSC Eximbank Kazakhstan	44	66	20	20
JSC Institute Kaznipienergoprom	-	298,592	-	15,773
Other	1,823	2,738	17,159	2,199
	1,346,427	1,346,216	193,599	273,526

Also, the Group entered into transactions with related parties, related to financial activities, including the following:

(a) As at 31 December 2012, loans and accrued interest of 7,798,103 thousand tenge and 151,166 thousand tenge, respectively (31 December 2011: 6,070,407 thousand tenge and 268,456 thousand tenge, respectively) were represented by European Bank for Reconstruction and Development and JSC Eximbank Kazakhstan within the frame of concluded credit agreements (Notes 19 and 24). For the year ended 31 December 2012, finance cost on loans amounted to 288,145 thousand tenge, out of which 263,097 thousand tenge were capitalized to cost of property, plant and equipment (2011: 300,742 thousand tenge, out of which 205,910 thousand tenge were capitalized to cost of property, plant and equipment.

(b) As at 31 December 2012 and 2011, cash on deposits in JSC Eximbank Kazakhstan, including accrued interest, comprised 9,115,805 thousand tenge and 12,769,586 thousand tenge, respectively (Note 9). For the years ended 31 December 2012 and 2011, finance income on these deposits comprised 429,367 thousand tenge and 953,706 thousand tenge, respectively.

(c) As at 31 December 2012 and 2011, cash in JSC Eximbank Kazakhstan, comprised 553,487 thousand tenge and 1,036,224 thousand tenge, respectively.

Key personnel of the Group

In 2012, compensation to the Board of Directors and other key management personnel of the Group in the form of salary and bonuses amounted to 285,602 thousand tenge (2011: 218,890 thousand tenge).

(in thousands of Tenge)

38. FINANCIAL INSTRUMENTS, RISK MANAGEMENT POLICY AND ITS OBJECTIVES

The Group's major financial instruments are other financial assets, financial assets held-for-trading, cash, restricted cash, bank loans, bonds, as well as accounts receivable and accounts payable. The main risks attributable to the Group's financial instruments are liquidity risk and credit risk. The Group also monitors the market risk and interest rate risk arising on all of its financial instruments.

Categories of financial instruments

As at 31 December, financial instruments were as follows:

	31 December 2012	31 December 2011
Financial assets		
Other financial assets (Note 9)	9,115,805	12,769,586
Trade accounts receivable (Note 11)	9,651,081	7,827,157
Other accounts receivable (Note 14)	2,634,885	2,516,801
Restricted cash (Note 9)	624,032	353,025
Cash (Note 15)	986,622	1,344,978
Financial liabilities		
Bonds issued (Note 18)	14,261,549	11,530,342
Long-term loans (Note 19)	11,744,313	10,853,783
Long-term accounts payable (Note 21)	40,711	107,023
Short-term loans (Note 24)	4,413,223	4,291,981
Trade accounts payable (Note 25)	7,905,116	6,315,719
Other liabilities and accrued expenses (Note 28)	585,625	583,367

Capital risk management

The Group manages the risks associated with capital to ensure that the Group will be able to continue as a going concern while maximizing the tariffs and the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2006.

The equity structure of the Company consists of share capital, additional paid-in capital, revaluation reserve on property, plant and equipment and retained earnings as presented in the consolidated statement of changes in equity.

Summary of significant accounting policies

The information on significant accounting policies and accepted methods, including criteria of recognition, basis for measurement and basis on which revenue and expenses are recognized, with respect to each class of financial assets, financial liabilities and equity instruments is disclosed in Note 4 to the consolidated financial statements.

Objectives of financial risk management

Risk management is an essential element of the Group's operations. The Group controls and manages financial risks related to operations of the Group by analyzing the risk exposure by degree and amount of risk. These risks include market risk, currency risk, liquidity risk and cash flow interest rate risk. The description of the Group's risk management policies is provided below.

Interest rate risk

The Group is exposed to interest rate risk since the Group receives loans with fixed and floating interest rates. The Group manages the risk by appropriate balancing of loans at floating and fixed interest rates.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis was made regarding the exposure to interest rate risk on non-derivative instruments at the reporting date. For liabilities with floating rates an analysis was made assuming that the outstanding liability was not repaid during the entire year. When preparing the management reports on interest rate risk for the key management of the Group an assumption is used on a change in the interest rate by 1%, which meets the expectations of the management regarding the reasonably possible fluctuation of interest rates.

If interest rates on liabilities were 1% higher/lower and all the other variables remained constant, then the profit of the Group for the year ended 31 December 2012, and its retained earnings as at 31 December 2012, would decrease/increase by 123,690 thousand tenge (2011: 120,537 thousand tenge).

Credit risk

Credit risk arising as a result of counterparties' failure to meet the terms of contracts with financial instruments of the Group is normally limited to the amounts, if any, by which the amount of liabilities of the counterparties exceed the Group's liabilities to these counterparties. The Group's policy provides for conducting of operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk equals the carrying amount of each financial asset. The Group believes that its maximum exposure equals the amount of trade accounts receivable (Note 11) and other accounts receivable (Note 14) less provisions for doubtful debts recognized at the reporting date.

A credit risk concentration can arise if one borrower or a group of borrowers with similar operating conditions due several amounts, in relation to which there are grounds to expect that changes in economic conditions or other circumstances may have the same impact on their ability to meet their obligations.

The Group has a policy assuming on going control over performing transactions with customers having adequate credit history and do not exceed established credit limits.

The Group does not act as a guarantor on liabilities of third parties.

Market risk

Market risk involves a possible fluctuation in the value of a financial instrument as a result of a change in market prices. The Group holds a dominant position on the market risk, the risk of a possible fluctuations in the value of a financial instrument due to change in market prices is unlikely.

(in thousands of Tenge)

Currency risk

The Group does not conduct sale or purchase operations denominated in foreign currencies. Accordingly, there is no risk of changes in exchange rates. However, the Group has liabilities denominated in foreign currencies. The Group minimizes the currency risk by monitoring the changes in exchange rates in which the liabilities are denominated.

Carrying value of monetary assets and liabilities of the Group in foreign currency as at 31 December 2012 and 2011, was as follows:

	Assets		Liabilities	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
US Dollars	2,174,637	4,063,053	3,793,815	3,963,858
Russian roubles	8,867	18,991	496,400	143,980
Euro	4	-	-	-

Foreign currency sensitivity analysis

The Group is mainly exposed to risk related to changes in exchange rates of the US dollar. The Group also has deposits denominated in US dollars, which do not expose the Group to a significant risk related to changes in US dollar exchange rate.

The following table reflects the Group's sensitivity to 10% increase or decrease in value of tenge against foreign currencies. 10% – is sensitivity level used in preparation of internal reports on currency risk for key management and represents the management's estimate of justifiably possible changes in exchange rates. The sensitivity analysis includes only unregulated cash positions in foreign currency and adjusts their transfer at the end of the period taking into account 10% change in exchange rates. The sensitivity analysis includes borrowings and other financial assets of the Group denominated in the currency different from the currency of the creditor or borrower. The positive figure indicated below reflects the increase in profits and other equity items when the tenge rate against a respective currency strengthens by 10%. In case of weakening of the tenge rate against a respective currency by 10%, there will be an equal and opposite effect on profits and equity, and the amounts indicated below will be negative.

	Effect of US dollar	
	31 December 2012	**31 December 2011**
Financial assets	217,464	406,305
Financial liabilities	379,382	396,386

This mainly relates to the risk on loans and deposits of the Group denominated in US dollars as at 31 December 2012 and 2011.

(in thousands of Tenge)

Liquidity risk

The Group's shareholders are ultimately responsible for liquidity risk management since they created an appropriate system of liquidity risk management for management of the Group as per the requirements of monitoring of liquidity and short, mid and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, bank loans and available credit lines by constant monitoring of projected and actual cash flow and comparing maturity dates of its financial assets and liabilities.

Liquidity risk tables

The following tables demonstrate the Group's contract dates for its non-derivative financial assets and liabilities. The table was compiled based on non-discounted movement of cash flows on financial liabilities using the earliest date that the Group could be made to make a payment. The table includes cash flows on both interest and principal.

The table on liquidity risk and interest rate risk as at 31 December 2012, is presented as follows:

	Interest rate	Up to 1 year	1-5 years	Over 5 years	Undefined term	Total
31 December 2012						
<u>*Non-interest-bearing:*</u>						
Trade accounts receivable	-	9,651,081	-	-	1,891,975	11,543,056
Other accounts receivable	-	2,634,885	-	-	270,156	2,905,041
Cash	-	986,622	-	-	-	986,622
Long-term accounts payable	-	36,265	53,319	148,385	-	237,969
Trade accounts payable	-	7,905,116	-	-	-	7,905,116
Other liabilities and accrued expenses	-	585,625	-	-	-	585,625
<u>*Interest-bearing:*</u>						
Other financial assets	2.8-9%	11,009,456	-	-	-	11,009,456
Restricted cash	2.8-8.5%	392,658	254,231	-	-	646,889
Bonds issued	6.8-12.5%	1,457,054	13,362,936	7,629,486	-	22,449,476
Long-term loans	0.75%, Libor+3%, All-in-cost+4.5%, 10%	2,501,444	8,305,926	5,079,461	-	15,886,831
Short-term loans	10-17%	4,696,717	-	-	-	4,696,717

(in thousands of Tenge)

31 December 2011	Interest rate	Up to 1 year	1-5 years	Over 5 years	Undefined term	Total
Non-interest-bearing:						
Trade accounts receivable	-	7,827,157	-	-	1,782,328	9,609,485
Other accounts receivable	-	2,516,801	-	-	121,290	2,638,091
Cash	-	1,344,978	-	-	-	1,344,978
Long-term accounts payable	-	20,009	81,753	278,943	-	380,705
Trade accounts payable	-	6,315,719	-	-	-	6,315,719
Other liabilities and accrued expenses	-	583,367	-	-	-	583,367
Interest-bearing:						
Other financial assets	5.3-10.5%	13,215,036	-	-	-	13,215,036
Restricted cash	7.2%	331,662	62,798	-	-	394,460
Bonds issued	9-13%	1,321,046	4,615,752	14,392,091	-	20,328,889
Long-term loans	0.75%, Libor+3%, All-in-cost+4.5%, 10%	1,960,471	9,810,003	1,864,490	-	13,634,964
Short-term loans	10-17%	4,606,644	-	-	-	4,606,644

Fair value of financial instruments

Fair value is defined as an amount at which an instrument could be exchanged in a transaction between knowledgeable willing parties in an arm-length transaction, other than in forced or liquidation sale. As no readily available market exists for a significant part of the Group's financial instruments, the Group uses assumptions in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Non-current financial assets and liabilities

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates.

(in thousands of Tenge)

As at 31 December 2012 and 2011, the carrying value of all other financial assets and financial liabilities approximated their fair value.

39. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated by dividing net profit for the year related to the Parent of the Group by weighted average number of common shares, participating in distribution of net profit, outstanding during the year. The amount of common shares and common shares with diluted effect were equal, since there are no instruments with the potential dilutive effect.

	2012	2011
Net profit related to the Parent of the Group	6,064,318	5,890,041
Weighted average number of common shares used for calculating basic earnings per share	32,148,163	32,148,163
Earnings per share, in tenge	188.64	183.22

Carrying value of one share by types is presented below.

Type of shares	Quantity of shares issued	Net assets, excluding intangible assets	Carrying value per share, in tenge
31 December 2012:			
Common shares	32,148,163	80,639,406	2,508.37
31 December 2011:			
Common shares	32,148,163	75,686,520	2,354.30

The management of the Group believes that it fully meets requirements of KASE as at reporting date.

40. COMMITMENTS AND CONTINGENCIES

Legal issues

The Group was and continues to be subject to legal proceedings and adjudications which separately or in total did not have any material impact on the Group.

Taxation

The Government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

In particular taxes are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. Although the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the foregoing facts will possibly lead to tax risks for the Group.
During 2012 the Group paid taxes on time on due dates.

Environmental issues

The Group's management believes that at the moment the Group follows current environmental, health and safety laws and regulatory acts of the Republic of Kazakhstan. However, these laws and regulatory acts may change in future. The Group is unable to foresee the timing and degree of changes in the environmental, health and safety laws. In case of such changes the Group might be required to upgrade its technological equipment in order to meet more rigid requirements.

At each reporting date, the Group's management estimates the future obligations and creates a provision for restoration of ash disposal areas as per the legislation of the Republic of Kazakhstan.

Insurance

As at 31 December 2012 and 2011, the Group insured production complexes of TETS-2, TETS-3 and oxygen workshop in Pavlodar and production complexes TETS-2 in Petropavlovsk. The Group did not insure other property, plant and equipment. Since the lack of insurance does not represent the decrease in the value of assets or occurrence of liabilities, no provision for unforeseen expenses related to damage or loss of such assets was set up in these consolidated financial statements.

Capital commitments

The Group developed and approved the following plan of capital commitments with the Agency of the Republic of Kazakhstan on regulation of natural monopolies:

(a) JSC PAVLODARENERGO, the subsidiary, developed and agreed with the Agency of the Republic of Kazakhstan on regulation of natural monopolies:

- the plan of capital investments for 2007-2013 whereby JSC PAVLODARENERGO shall invest 8,000,000 thousand tenge into production assets;
- additional investment reconstruction and technical retooling program for 2010-2015, according to which JSC PAVLODARENERGO shall invest 21,769,470 thousand tenge into production assets;
- investment reconstruction and technical re-equipment program for the mid-term period of 2010-2013, according to which JSC PAVLODARENERGO shall invest into production assets 7,153,713 thousand tenge.

(b) JSC SEVKAZENERGO, the subsidiary, signed an Agreement with the Ministry of industry and new technologies of the Republic of Kazakhstan on investment commitments of the Group for 2013. According to this agreement the Group is obliged to invest in construction, modernization and acquisition of property, plant and equipment 5,645,106 thousand tenge till the end of 2013 (2012: 4,349,086 thousand tenge).

Tariffs

The Group approves with the Agency of the Republic of Kazakhstan on regulation of natural monopolies the tariffs on electricity and heat. Management of the Group believes that it sets tariffs according to the legislation of the Republic of Kazakhstan.

Agreement with the European Bank of Reconstruction and Development

In 2009, the Company concluded a subscription agreement with EBRD, whereby EBRD acquired 24.88% shares of the Company (Note 16). In 2011, the Parent company, JSC CAPEC, transferred part of its shares to EBRD in accordance with the agreement between the shareholders of the Company. As at 31 December 2012 and 2011, EBRD owns 24.99% of the Company's shares. Pursuant to the terms of the agreement the Group shall meet a number of covenants. Management of the Company believes that as at 31 December 2012, the Group did not violate any covenants of the agreement and met all the requirements.

Agreement with the Islamic Infrastructure Fund

In 2011, the Company concluded a subscription agreement with IIF, whereby IIF acquired 12.89% shares of the Company (Note 16). Pursuant to the terms of the agreement the Group shall meet number of covenants. Management of the Company believes that as at 31 December 2012, the Group did not violate any covenants of the agreement and met all the requirements.

41. SUBSEQUENT EVENTS

Starting from 1 January 2013, the Department of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan increased tariffs of JSC PAVLODARENERGO, the subsidiary, for:

- generation of heat energy in average by 7.3%;
- electricity distribution and transmission services in average by 15.2%;
- heat distribution and transmission services in average by 13.9%;
- sale of heat: individuals in average by 8%, other consumers in average by 21%.

Pursuant to the agreement No.244 On implementation of the investment commitments between JSC PAVLODARENERGO and Ministry of industry and new technologies of the Republic of Kazakhstan for 2013 maximum tariff for production of electricity increased in average by 8.5%-10.4%.

Starting from 1 January 2013, the Department of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan increased tariffs of JSC SEVKAZENERGO, the subsidiary, for retail sale of electricity in average by 13.1%, including for legal entities by 14.6% and for individuals by 9.9%.

Pursuant to the agreement #236 "On implementation of the investment commitments" between JSC SEVKAZENERGO and Ministry of industry and new technologies of the Republic of Kazakhstan for 2013 maximum tariff for production of electricity increased in average by 14.7%.

In the beginning of 2013, JSC SEVKAZENERGO, the subsidiary, received 1,080,000 thousand tenge within the frame of credit line with JSC SB Sberbank of Russia. An interest rate on these loans comprised 10% per annum.

On 28 February 2013, the Group entered into a framework agreement with JSC SB HSBC Bank Kazakhstan on provision of a credit line of 1,000,000 thousand tenge with an interest rate at 7.5% per annum. Within the frames of this agreement first tranches were received by LLP Astanaenergosbyt and JSC SEVKAZENERGO, the subsidiaries, of 750,000 thousand tenge and 250,000 thousand tenge, respectively.