Translation from the original in Russian

JOINT STOCK COMPANY SEVKAZENERGO

Consolidated financial statements
for the year ended December 31, 2013

JOINT STOCK COMPANY SEVKAZENERGO

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Joint Stock Company SEVKAZENERGO (hereinafter the "Company") and its subsidiaries (hereinafter jointly the "Group") as of December 31, 2013, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance 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 IFRSs are 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;
- making an assessment of the Group's ability to continue as a going concern.

Management of the Group 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 accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

These consolidated financial statements for the year ended December 31, 2013 were approved and authorized for issue by management of the Group on April 10, 2014.

On behalf of management of the Group:

Kopenov E.K.	**Alexeevene T.V.**
Chairman of Board	**Chief Accountant**
April 10, 2014	April 10, 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Joint Stock Company SEVKAZENERGO:

We have audited the accompanying consolidated financial statements of Joint Stock Company SEVKAZENERGO (the "Company") and its subsidiaries (jointly - the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2013, 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.

Auditors' 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 auditors' 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 preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Translation from the original in Russian

Opinion

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

Dulat Taituleyev
Engagement Partner
Qualified auditor
Qualification certificate No. 0000095
dated August 27, 2012
the Republic of Kazakhstan

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

Nurlan Bekenov
General Director
Deloitte, LLP

April 10, 2014
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
(in thousands of tenge)

	Notes	December 31, 2013	December 31, 2012
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	51,769,250	44,011,993
Intangible assets		16,601	11,679
Advances paid for acquisition of property, plant and equipment	8	2,718,547	1,042,514
Restricted cash	14	131,805	180,370
Total non-current assets		54,636,203	45,246,556
CURRENT ASSETS:			
Inventories	9	2,491,046	1,878,445
Trade accounts receivable	10	1,150,891	1,250,925
Advances paid for acquisition of current assets	11	802,366	542,184
Taxes recoverable and prepaid	12	647,770	774,573
Income tax prepaid		62,716	98,214
Other accounts receivable	13	1,262,157	1,313,913
Other financial assets	14	628	1,453,608
Restricted cash	14	132,222	65,203
Cash and cash equivalents	15	659,289	499,476
Total current assets		7,209,085	7,876,541
TOTAL ASSETS		61,845,288	53,123,097
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	16,291,512	16,291,512
Additional paid-in capital	17	277,168	385,724
Property, plant and equipment revaluation reserve		4,885,166	5,356,629
Retained earnings		8,259,120	5,693,665
Total equity		29,712,966	27,727,530
NON-CURRENT LIABILITIES:			
Bonds issued	18	6,431,571	6,492,844
Long-term loans	19	8,576,760	3,908,689
Deferred tax liabilities	20	7,039,225	6,107,522
Deferred revenue	21	202,383	202,383
Long-term accounts payable	22	64,465	728,108
Ash dump restoration liability	23	347,122	133,207
Employee benefit obligations	24	40,420	36,203
Total non-current liabilities		22,701,946	17,608,956

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2013
(in thousands of tenge)

	Notes	December 31, 2013	December 31, 2012
CURRENT LIABILITIES:			
Current-portion of the bonds issued	18	357,832	357,832
Trade accounts payable	25	2,261,684	1,736,138
Short-term loans and current portion of long-term loans	19, 26	5,802,440	4,730,077
Advances received	27	612,020	511,791
Taxes and non-budget payable	28	170,976	112,044
Current portion of ash dump restoration liability	23	-	155,427
Current portion of employee benefit obligations	24	3,846	4,023
Other liabilities and accrued expenses	29	221,578	179,279
Total current liabilities		9,430,376	7,786,611
TOTAL EQUITY AND LIABILITIES		61,845,288	53,123,097

On behalf of management of the Group:

Kopenov E.K.
Chairman of Board

April 10, 2014

СЕВКАЗЭНЕРГО
АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО
РЕСПУБЛИКА КАЗАХСТАН СКО Г.ПЕТРОПАВЛОВСК

Alexeevene T.V.
Chief Accountant

April 10, 2014

The notes on pages 10-50 form an integral of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

(in thousands of tenge)

	Notes	2013	2012
REVENUE	30	20,961,920	16,584,956
COST OF SALES	31	(13,670,912)	(11,192,070)
GROSS PROFIT		7,291,008	5,392,886
Selling expenses	32	(248,268)	(203,217)
General and administrative expenses	33	(1,996,148)	(1,711,811)
Finance costs	34	(1,538,548)	(1,403,397)
Finance income	35	209,690	199,360
Foreign exchange gain (loss)		25,721	(9,199)
Other income	36	68,914	308,382
PROFIT BEFORE INCOME TAX		3,812,369	2,573,004
INCOME TAX EXPENSE	20	(1,022,359)	(733,821)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,790,010	1,839,183
Earnings per share	38		
Basic (tenge per share)		19.39	12.84
Diluted (tenge per share)		19.39	12.84

On behalf of management of the Group:

Kopenov E.K.
Chairman of Board

April 10, 2014

Alexeevene T.V.
Chief Accountant

April 10, 2014

СЕВКАЗЭНЕРГО
АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО

The notes on pages 10-50 form an integral part of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands of tenge)

	Notes	Share capital	Additional paid-in capital	Property, plant and equipment revaluation reserve	Retained earnings	Total equity
As of January 1, 2012		15,810,512	159,931	5,830,089	3,820,475	25,621,007
Net profit and total comprehensive income for the year		-	-	-	1,839,183	1,839,183
Dividends	16	-	-	-	(252,053)	(252,053)
Contribution to share capital	16	481,000	-	-	-	481,000
Amortization of revaluation reserve		-	-	(473,460)	473,460	-
Adjustment to fair value, net of deferred tax in the amount of 46,850 thousand tenge	13	-	-	-	(187,400)	(187,400)
Adjustment to fair value, net of deferred tax in the amount of 56,449 thousand tenge	22	-	225,793	-	-	225,793
As of December 31, 2012		16,291,512	385,724	5,356,629	5,693,665	27,727,530
Net profit and total comprehensive income for the year		-	-	-	2,790,010	2,790,010
Dividends	16	-	-	-	(578,959)	(578,959)
Amortization of revaluation reserve		-	-	(471,463)	471,463	-
Adjustment to fair value, net of deferred tax in the amount of 29,266 thousand tenge	13	-	-	-	(117,059)	(117,059)
Adjustment to fair value, net of deferred tax in the amount of 27,139 thousand tenge	22	-	(108,556)	-	-	(108,556)
As of December 31, 2013		16,291,512	277,168	4,885,166	8,259,120	29,712,966

On behalf of management of the Group:

Kopenov E.K.
Chairman of Board

April 10, 2014

СЕВКАЗЭНЕРГО
АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО

Alexeevene T.V.
Chief Accountant

April 10, 2014

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JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands of tenge)

	Notes	2013	2012
CASH FROM OPERATING ACTIVITIES:			
Profit before income tax		3,812,369	2,573,004
Adjustments for:			
Depreciation and amortization	31, 32, 33, 36	2,299,496	1,846,028
Finance costs	34	1,538,548	1,403,397
Recovery of allowance for doubtful debts	33	(76,284)	(10,434)
(Recovery)/accrual of allowance for obsolete inventories	33	(8,361)	5,484
(Gain)/loss from disposal of property, plant and equipment and intangible assets		(1,532)	376
Employee benefit expense	24	11,246	11,771
Recovery of provision for unused vacations		(808)	(1,806)
Foreign exchange (gain)/loss		(25,721)	9,199
Revenue from derecognition of guarantee fees	36	-	(121,449)
Finance income	35	(209,690)	(199,360)
Cash flow before working capital changes		7,339,263	5,516,210
Change in inventories		(545,225)	(624,250)
Change in trade accounts receivable		149,466	(154,943)
Change in advanced paid for acquisition of current assets		(260,886)	(164,952)
Change in taxes recoverable and prepaid		163,508	(290,398)
Change in other accounts receivable		(66,263)	491,160
Change in trade accounts payable		560,856	767,956
Change in advances received		100,229	69,758
Change in taxes and non-budget payable		27,562	(1,484)
Change in other liabilities and accrued expenses		43,107	64,842
Change in ash dump restoration liability	23	-	(155,427)
Change in employee benefit obligations	24	(7,206)	(5,627)
Cash generated by operating activities		7,504,411	5,512,845
Income tax paid		(35,458)	(75,137)
Interest paid		(1,595,505)	(1,289,759)
Net cash generated by operating activities		5,873,448	4,147,949

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013
(in thousands of tenge)

	Notes	2013	2012
CASH FROM INVESTING ACTIVITIES:			
Purchase of property, plant, and equipment		(9,855,122)	(8,100,041)
Change in advances paid for acquisition of property, plant, and equipment		(1,676,033)	939,668
Purchase of intangible assets		(7,282)	(7,322)
Placement of deposits		(174,245)	(3,009,880)
Proceeds from interest accrued on the deposits placed		133,326	64,976
Withdrawal of deposits		1,620,359	2,584,103
Proceeds from disposal of property, plant and equipment		72,735	89,789
Net cash used in investing activities		(9,886,262)	(7,438,707)
CASH FROM FINANCING ACTIVITIES:			
Proceeds from loans		12,443,580	6,306,964
Bond issue		-	2,613,360
Repayment of loans		(6,769,156)	(6,184,479)
Repayment of bonds		-	(6,308)
Dividends paid	16	(578,959)	(252,053)
Contribution to share capital	16	-	481,000
Repayment of financial aid by a related party		(1,122,000)	(250,000)
Financial aid from a related party		200,000	1,000,000
Net cash generated by financing activities		4,173,465	3,708,484
NET INCREASE IN CASH AND CASH EQUIVALENTS		160,651	417,726
CASH AND CASH EQUIVALENTS at the beginning of the year	15	499,476	78,097
Effect of exchange rates on cash		(838)	3,653
CASH AND CASH EQUIVALENTS at the end of the year	15	659,289	499,476

Noncash transactions:

In 2013 the Company capitalized to cost of property, plant and equipment finance costs, excluding finance income, of 231,777 thousand tenge (2012: 39,753 thousand tenge).

On behalf of management of the Group:

Kopenov E.K.
Chairman of Board

April 10, 2014

Alexeevene T.V.
Chief Accountant

April 10, 2014

The notes on pages 10-50 form an integral part of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

(in thousands of tenge)

1. NATURE OF THE BUSINESS

Joint Stock Company SEVKAZENERGO (earlier SevKazEnergo Petropavlovsk LLP) (hereafter the "Company") was established on January 19, 1999 and reformed into joint stock company on July 13, 2009 on the basis of the minutes of participants' meeting of SevKazEnergo Petropavlovsk LLP dated June 19, 2009. The Company is located at the following address: 215 Zhambyl Street, Petropavlovsk, 150009, the Republic of Kazakhstan.

As of December 31, 2013, the sole owner of the Company was JSC Central Asian Electric Power Corporation (hereinafter – JSC CAEPCO), holding 100% of share capital. The ultimate owners of the Company are JSC Central Asian Power Energy Company (hereinafter – JSC CAPEC) owning 62.12%, European Bank of Reconstruction and Development (hereinafter – EBRD) owning 24.99% and KAZ HOLDINGS COOPERATIEF U.A. owning 12.89% (December 31, 2012: CAPEC - 62.12%, EBRD - 24.99%, KAZ HOLDINGS COOPERATIEF U.A. – 12.89%).

The Company is a founder/shareholder company of the following enterprises (hereinafter jointly the "Group"):

Subsidiary	Principal activity	Location	Ownership interest 2013	Ownership interest 2012
JSC North-Kazakhstan Electricity Distribution Company	Transmission and distribution of electricity	Petropavlovsk, Kazakhstan	100	100
Petropavlovsk Heat Network LLP	Transmission and distribution of heat	Petropavlovsk, Kazakhstan	100	100
Sevkazenergosbyt LLP	Sale of electricity and heat	Petropavlovsk, Kazakhstan	100	100

The Group's activities are closely related with JSC CAPEC's requirements and its subsidiaries with respect to policies and regulations used. Transactions with related parties are described in detail in Note 37.

The Group's primary activity is production, transmission and distribution of electricity and heat.

The Group has all required licenses for production, transmission and allocation of electricity and heat, and supply of electricity.

The Group is included into the local section of State register of subjects of natural monopolies in North Kazakhstan region by types of regulated services: production and supply of heat, transmission and distribution of heat, and also it is included into the State register of subjects of the market having a dominating (monopoly) position at the relevant commodity market in North Kazakhstan region on the wholesale supply of electricity.

The total number of employees of the Group as of December 31, 2013 was 2,473 employees (2012: 2,413 employees).

These consolidated financial statements prepared in accordance with IFRS were approved and authorized for issue by management of the Group on April 10, 2014.

2. CURRENT ECONOMIC SITUATION

Operational 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC"), which became effective for the Group's annual consolidated financial statements for the year ended December 31, 2013:

- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- Amendments to IFRS 7 Disclosures–Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 10, IFRS 11 and IFRS 12: transition guidance;
- Amendments to IAS 1 Presentation of financial statement;
- IAS 19 Employee Benefits (as revised in 2011);
- IAS 27 Separate Financial Statements (as revised in 2011);
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011);
- Amendments to IFRS: Annual improvements to IFRSs 2009-2011 cycle;
- Interpretation of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

The adoption of new or revised Standards did not have a significant impact on the financial positions and financial results of the Group, except for certain disclosures.

New and revised IFRS – in issue but not yet effective

As at the date of the issuance of these consolidated financial statements, the following Standards and interpretations were issued but were not effective, and were not applied by the Group:

- IFRS 9 Financial Instruments – *effective for annual periods beginning on or after January 1, 2015*;
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures – *effective for annual periods beginning on or after January 1, 2015*;
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – *effective for annual periods beginning on or after January 1, 2015*;

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities – *effective for annual periods beginning on or after January 1, 2014*;
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – *effective for annual periods beginning on or after January 1, 2014*;
- Amendments to IAS 36 Impairment of Assets – *effective for annual periods beginning on or after January 1, 2014*;
- Interpretation IFRIC 21 Levies – *effective for annual periods beginning on or after January 1, 2014.*

The Group will adopt new and revised standards and new interpretations from the effective dates. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires retrospective adoption of new and revised standards, unless otherwise stated in notes below.

Management of the Group anticipates that adoption of those Standards and Interpretations will have no significant impact in financial position of the Group, statement of profit or loss and other comprehensive income and cash flow statement.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance with IFRS

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

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Segment reporting

The Group determines the following operational segments on the basis of information included in reports, which are regularly reviewed by management for the purpose of resources allocation and for the purpose of performance appraisal, as well as on the basis of the analysis of aggregation criteria – production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power and others.

Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstani Tenge ("tenge") that is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in tenge has been rounded to the nearest thousand.

Use of judgment, estimates and assumption

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Due to uncertainty of such estimations actual results might differ from initial estimations made.

Estimates and underlying assumptions are reviewed on an ongoing basis as to necessity for change. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is presented below:

Ash dump restoration liability

The Group uses in production purposes three ash dumps. At the end of their useful life those ash dumps should be restored. In order to determine the amount of the ash dumps restoration liability management of the Group is required to evaluate the future cost of restoration of ash dumps. For valuation of amortized cost of this liability at the Group used effective interest rate of 12% which is the market borrowing rate for the Group. The Group calculates liability on the basis of projected costs of restoration, and based on the planned schedule of works. The Group reviews the amount of liabilities in the case of significant changes to the schedule and/or the amount of planned expenditures.

Determination of fair value of property, plant and equipment

At each reporting date the Group evaluates significance of the change in the net book value of property, plant and equipment from its fair value. In case of significant change in the net book value from fair value the Group has the fair value of property, plant and equipment evaluated by independent appraisers.

Impairment of property, plant and equipment

At each reporting date, the Group reviews property, plant and equipment to determine whether there is any indication that those assets have impaired. If any such indication exists or annual testing is required for impairment, the Group evaluates the recoverable amount. The recoverable amount of an asset is the greater of the fair value of the asset or cash generating unit less selling costs or value in use, and is determined for a separate asset except for cases when the asset does not generate cash flows that are mainly independent of cash flows generated by other assets or groups of assets. If the carrying value of an asset exceeds the recoverable amount, the asset is considered to be impaired and its value is decreased to the recoverable amount. In evaluating the value in use, estimated future cash flows are discounted to their present value using the pre-tax effective interest rate.

Allowances

The Group accrues allowance for doubtful debts. Significant judgments are used to identify doubtful debt. Debt aging as well as historical and expected customer behavior is considered when identifying doubtful debts. Changes in customer economic or financial conditions may require changes to allowance for doubtful debts in the consolidated financial statements.

Annually the Group considers the need to create allowance for obsolete inventories based on annual stock counts and estimation on future use of obsolete stock.

The actual amount of losses from write-off of inventories and accounts receivable may differ from estimated amounts that may have a significant effect on future operating results.

Useful economic lives of property, plant and equipment

The Group considers useful economic lives of property, plant and equipment at the end of each annual period. The evaluation of the useful economic life of an asset depends on such factors as economic use, maintenance programs, technological improvements and other business conditions. The evaluation by management of useful economic lives of property, plant and equipment reflects relevant information available at the date of these consolidated financial statements. As the result of changes in these estimates, the amount of depreciation may differ materially from amounts recorded in past years. Any adjustments accounted for prospectively as a change in estimates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other enterprises under Group's direct and indirect control. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries have brought the accounting policies used into line with those used by the Group.

All significant intercompany transactions, balances and unrealized gains and losses on transactions are eliminated on consolidation.

Foreign currency 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 such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at historical cost denominated in foreign currency are not retranslated. Gains and losses arising on exchange are included in the consolidated statement of profit or loss and other comprehensive income, except for exchange differences on borrowings in foreign currencies related to the acquisition, construction or production of qualified assets

Property, plant and equipment

Property, plant and equipment initially are carried at the acquisition cost. All property, plant and equipment purchased before January 1, 2006 the IFRS transition date, are recorded at the revalued cost, which is the deemed cost. The cost of purchased property, plant and equipment is the value of contributions paid to purchase the related assets, and also other directly attributable costs incurred when supplying assets and preparing them for their intended use.

Construction in progress includes costs directly related to the construction of property, plant and equipment, as well as the corresponding allocation of directly related variable costs incurred during construction. Depreciation for these assets is calculated as for remaining property, plant and equipment from the moment they are put into operations. The carrying value of construction in progress is reviewed regularly so that it is recorded fairly and whether impairment losses need to be recognized.

After initial recognition, property, plant and equipment is recorded at its revalued amount which is the fair value of property, plant and equipment at the revaluation date, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are revalued regularly to avoid significant differences between the carrying value and its fair value at the reporting date. Accumulated depreciation at the revaluation date is eliminated against the total value of the asset, after which the carrying value is recalculated to its revalued value.

If the carrying amount of asset increases as a result of revaluation, the amount of such increase shall be recognized in other comprehensive income and accumulated in equity under the note line "capital gains from the revaluation". However, such increase shall be recognized in profit or loss in the extent to which it recovers the decrease in value of that asset after revaluation previously recognized in profit or loss.

If the carrying amount of asset decreases as a result of revaluation, the amount of such reduction is included in profit or loss. However, this decrease recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in the note line "capital gains from the revaluation" belonging to the same asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the note line "capital gains from the revaluation".

Capitalized costs include 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 capitalisation are charged to profit or loss as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over the estimated useful lives of the assets, using the straight-line method, close to the following terms:

Buildings and constructions	5-40 years
Machinery and production equipment	5-35 years
Vehicles	5-12 years
Other	3-14 years

Depreciation on property, plant and equipment is recorded in profit or loss. Depreciation of assets under construction commences when the assets are ready for their intended use.

Gains and losses on property, plant and equipment disposals are calculated as the difference between selling price and carrying amount of an asset, and included in profit or loss.

Methods of depreciation, useful lives are analyzed at each reporting date.

Impairment of long-term 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 impaired. 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or 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 materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Financial instruments

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

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

Effective interest method

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

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

Financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and accounts payable and other liabilities.

Cash and cash equivalents

Cash include cash on hand, cash with bank accounts and deposits with initial maturity not more then three months.

Cash restricted in use

In accordance with loan agreements on project financing signed with European Bank for Reconstruction and Development ("EBRD"), the Company opened bank accounts, necessary for debt servicing. Cash, held on these bank accounts, can be used exclusively for the purposes of planned payments on interest and principal loan amounts. If cash restricted in use for the period not exceeding twelve months from the reporting date, such cash is treated as current asset 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.

Trade and other accounts receivable

Trade and other receivables are recognized and stated at the amounts of issued invoices less allowance for doubtful debts. The allowance for doubtful debts is determined in cases when it is probable that the debts will not be repaid in full. The allowance for doubtful debts is accrued by the Group when accounts receivable are not repaid within contractual terms. The allowance for doubtful debts is regularly reviewed and if there is a need for adjustments the relevant amounts are reflected in profit or loss of the reporting period in which such a need was revealed. Bad debts identified are written off against previously created allowance.

Impairment of financial assets

Financial assets are assessed for impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for trade accounts receivable where the carrying amount is reduced through the use of provision on doubtful debts. When trade accounts receivable are not collectible, they are written off against the provision on doubtful debts. Subsequent recoveries of amounts previously written off are credited against the provision on doubtful debts. Changes in the carrying amount of the provision account are recognized in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the nature of signed contractual agreements and definitions of the financial liability and equity instrument. Equity instrument is any contract which confirms the residual share in the assets of the Group after deduction of all its liabilities. The accounting policy accepted for specific financial liabilities and equity instruments is stated below.

Loans

Loans initially recorded at the fair value plus expenses on related transactions and subsequently measured at amortized cost using effective interest method. Any difference between gains (less transaction costs) and estimate or repayment of loans is recognized during the borrowing terms according to the accounting policy of the Group on borrowing costs.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially stated at their fair value and subsequently at amortized cost using effective interest method.

Offset of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

Financial asset (or, if applicable, portion of a financial asset or portion 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 of 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 compensation that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Revenue recognition

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

Electricity and heat sale revenue included in profit or loss as delivered to customers. Basis for accrual of heat sale revenue and transmission of electricity is tariffs approved by Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Revenue from sales of goods recognized in profit or loss when goods are delivered and title has passed to customer.

Taxation

Income tax expense represents the sum of the taxes currently payable and deferred tax.

Taxes currently payable based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss, since 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is recognized in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also recognized in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs.

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

Retirement benefit costs

Current pension obligations

In 2013 in accordance with legislative requirements of the Republic of Kazakhstan, the Group pays 10% of employees' salary (2012: 10%), as contributions to saving pension funds. These amounts are expensed when they are incurred. Pension fund payments are withheld from employee salaries and included in salary costs in profit or loss.

Other employee benefits

In accordance with the Collective Agreement the Group pays one time compensation to its employees relating to payment of medical and funeral services (social benefits, guarantees and compensations). In accordance with this agreement the Group pays the following main fees and benefits:

- incentive payments in honor of the Day of power engineers and Day of senior citizens to retirement pensioners, invalids in groups I, II and III, who do not work currently;
- lump sum benefit payment for the Victory Day to participants of the Great Patriotic War, to the widows of soldiers deceased during the war, rear area workers and the persons equivalent to participants of the Great Patriotic War;
- lump sum payment in the amount of a monthly salary upon retirement due to pension;

The obligation and cost of benefits under the Defined Benefit Scheme are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to the statement of comprehensive income, so as to allocate the total benefit cost over the service lives of employees in accordance with the benefit formula of the Defined Benefit Scheme. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Group recognizes actuarial gains and losses arising from the reassessment of the employee benefit obligation in the period they are identified and recognizes employee benefit costs.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) 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 a reliable estimate of the obligation can be made. Provisions reviewed at each date of the consolidated statement of financial position and corrected for presenting the best current valuation.

Where influence of temporary value of money is material, amount of reserve is calculated as current amount of expenses that will be needed for paying-off obligations. When discounting is used, increase in provision that reflects prior period is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Related party transactions

The following parties are deemed related parties in preparation of these consolidated financial statements:

A party is related to the Group 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 is 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 relationship, attention is directed to the substance of the relationship, and not merely the legal form.

6. SEGMENT REPORTING

In the reporting period, the Group revised its segment allocation methodology adopted by the change, according to the Group, disclose reportable segments more detailed. The Group determined reporting segments on the basis of services provided and, accordingly, the Group highlights five major segments: production of heat and power, transmission and distribution of power, transmission and distribution of heat, sale of heat and power and others, which include the sale of chemical water, power control and sale of chemical products. Other services do not exceed the quantitative thresholds, therefore, do not require separate disclosure.

(in thousands of tenge)

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

	For the year ended December 31, 2013					
Key operational activities	**Production of heat and electricity**	**Transmission and distribution of electricity**	**Transmission and distribution of heat**	**Sale of heat and electricity**	**Other**	**Total**
Total revenue	16,794,208	3,814,058	1,719,439	11,775,789	142,928	34,246,422
Intrasegment revenue	(1,842,553)	(92,634)	-	(11,218,227)	(131,088)	(13,284,502)
Revenue from sales to external customers	14,951,655	3,721,424	1,719,439	557,562	11,840	20,961,920
Cost of sales	(9,224,128)	(2,767,470)	(1,591,541)	(75,933)	(11,840)	(13,670,912)
General and administrative expenses	(857,792)	(562,860)	(497,205)	(78,291)	-	(1,996,148)
Selling expenses	(17,291)	-	-	(230,977)	-	(248,268)
Finance cost	(1,536,319)	-	(2,229)	-	-	(1,538,548)
Finance income	209,690	-	-	-	-	209,690
Foreign exchange (loss)/gain	23,479	(8)	2,250	-	-	25,721
Other (expense) /income	(48,561)	77,232	10,690	29,553	-	68,914
Income tax expense	(832,271)	(122,645)	(26,554)	(40,889)	-	(1,022,359)
Profit/(loss) for the year	2,668,462	345,673	(385,150)	161,025	-	2,790,010
Other key segment information						
Capital expenditure on property, plant and equipment	8,164,332	934,878	662,526	93,386	-	9,855,122
Depreciation	1,647,924	410,799	230,093	8,444	-	2,297,260

(in thousands of tenge)

	For the year ended December 31, 2012					
Key operational activities	**Production of heat and electricity**	**Transmission and distribution of electricity**	**Transmission and distribution of heat**	**Sale of heat and electricity**	**Other**	**Total**
Total revenue	13,336,909	3,202,882	1,472,385	9,945,946	131,434	28,089,556
Intrasegment revenue	(1,925,954)	(99,218)	(14,680)	(9,347,794)	(116,954)	(11,504,600)
Revenue from sales to external customers	11,410,955	3,103,664	1,457,705	598,152	14,480	16,584,956
Cost of sales	(7,365,550)	(2,307,178)	(1,327,919)	(176,943)	(14,480)	(11,192,070)
General and administrative expenses	(649,079)	(487,898)	(475,598)	(99,236)	-	(1,711,811)
Selling expenses	(39,636)	-	-	(163,581)	-	(203,217)
Finance cost	(1,374,183)	-	(29,214)	-	-	(1,403,397)
Finance income	199,360	-	-	-	-	199,360
Foreign exchange (loss)/gain	(12,780)	(159)	3,740	-	-	(9,199)
Other income	76,486	120,271	104,698	6,927	-	308,382
Income tax expense	(528,657)	(92,095)	(76,415)	(36,654)	-	(733,821)
Profit/(loss) for the year	1,716,916	336,605	(343,003)	128,665	-	1,839,183
Other key segment information						
Capital expenditure on property, plant and equipment	6,431,828	840,921	767,950	59,342	-	8,100,041
Depreciation	1,290,129	364,659	182,384	7,754	-	1,844,926

(in thousands of tenge)

7. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, movement of property, plant and equipment presented as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Cost and revalued cost						
At January 1, 2012	6,101,093	22,700,575	89,936	41,414	8,963,563	37,896,581
Additions	7,106	191,089	12,198	15,758	4,410,738	4,636,889
Transfers from inventories	-	-	-	-	3,463,152	3,463,152
Internal transfers	2,808,679	5,083,531	(2,861)	(100)	(7,889,249)	-
Capitalisation of interest on loans	1,938	31,532	-	-	6,283	39,753
Change in estimation on liquidation fund (Note 23)	11,048	-	-	-	-	11,048
Disposals	(1,526)	(87,736)	-	(3,092)	(400)	(92,754)
At December 31, 2012	8,928,338	27,918,991	99,273	53,980	8,954,087	45,954,669
Additions	51,351	160,714	29,955	22,907	3,882,304	4,147,231
Transfers from inventories	-	-	-	-	5,707,891	5,707,891
Capitalisation of interest on loans	5,366	145,865	-	-	96,990	248,221
Internal transfers	1,027,202	10,676,188	214	9,130	(11,712,734)	-
Change in estimation on liquidation fund (Note 23)	22,253	-	-	-	-	22,253
Disposals	(1,689)	(25,779)	-	(3,796)	(45,712)	(76,976)
At December 31, 2013	10,032,821	38,875,979	129,442	82,221	6,882,826	56,003,289
Accumulated depreciation and impairment						
At January 1, 2012	(83,832)	(12,847)	-	(3,660)	-	(100,339)
Charge for the year	(404,471)	(1,415,937)	(17,284)	(7,234)	-	(1,844,926)
Internal transfers	(3)	-	-	3	-	-
Disposals	32	2,023	-	534	-	2,589
At December 31, 2012	(488,274)	(1,426,761)	(17,284)	(10,357)	-	(1,942,676)
Charge for the year	(517,555)	(1,751,543)	(19,616)	(8,546)	-	(2,297,260)
Internal transfers	-	(307)	-	307	-	-
Disposals	42	5,586	-	269	-	5,897
At December 31, 2013	(1,005,787)	(3,173,025)	(36,900)	(18,327)	-	(4,234,039)
Net book value						
At December 31, 2013	9,027,034	35,702,954	92,542	63,894	6,882,826	51,769,250
At December 31, 2012	8,440,064	26,492,230	81,989	43,623	8,954,087	44,011,993

Revaluation of Group's property, plant and equipment was performed by an independent appraiser as at December 31, 2011. Fair value of the property, plant and equipment at the revaluation date was determined by applying cost approach; in particular, replacement cost approach, which is the measurement of the level 3 in the fair value hierarchy. In estimating the fair value of the property, plant and equipment, the highest and best use of the property, plant and equipment is their current use.

(in thousands of tenge)

The carrying value of each class of property, plant and equipment that would have been recognized in the consolidated financial statements if property, plant and equipment had been recorded at initial cost less accumulated depreciation and an impairment provision was as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
As at December 31, 2013	8,248,205	31,484,457	72,185	54,809	6,882,826	46,742,482
As at December 31, 2012	7,482,334	21,698,829	47,835	41,564	8,954,087	38,224,649

As at December 31, 2013 and 2012, the loans of the Group were secured by property, plant and equipment with net book value of 28,168,131 thousand tenge and 20,490,746 thousand tenge, respectively (Notes 19 and 26).

As of December 31, 2013 and 2012 construction in progress included expenditures on construction of ash dump and major spare parts.

As at December 31, 2013, the value of fully depreciated property, plant and equipment at revalued cost amounted to 20,746 thousand tenge (2012: 4,246 thousand tenge).

8. ADVANCES PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2013 and 2012, advances paid in the amount of 2,718,547 thousand tenge and 1,042,514 thousand tenge, respectively, included advances paid to Energoinvest-PV LLP for the construction of ash dump of 573,658 thousand tenge (2012: 728,769 thousand tenge), JSC Sibenergomash in the amount of 552,317 thousand tenge for the purchase of boilers (2012: 5,508 thousand tenge), CJSC Uralsk Turbine Factory in the amount of 963,737 thousand tenge for the purchase of turbine and turbine components (2012: 308,237 thousand tenge), JSC ELSIB in the amount of 628,835 thousand tenge (2012: nil tenge).

9. INVENTORIES

As at December 31, inventories presented as follows:

	2013	2012
Spare parts	1,236,983	904,309
Fuel	645,273	481,716
Raw materials	630,564	526,273
Other	29,922	26,204
	2,542,742	1,938,502
Allowance for obsolete inventory	(51,696)	(60,057)
Total	2,491,046	1,878,445

(in thousands of tenge)

10. TRADE ACCOUNTS RECEIVABLE

As at December 31, trade accounts receivable presented as follows:

	2013	2012
Sales and transmission of electricity and heat	1,184,240	1,238,162
Sales of inventories and providing for other services	91,299	186,092
	1,275,539	1,424,254
Allowance for doubtful debts	(124,648)	(173,329)
Total	1,150,891	1,250,925

For the years ended December 31, movement of allowance for doubtful debts is presented as follows:

	2013	2012
At January 1	173,329	239,749
Recovered during the year	(48,681)	(66,420)
At December 31	124,648	173,329

Major part of trade accounts receivable as at December 31, 2013 and 2012 includes receivable from customers for sale of electric and heat energy. The Group's customer database if diverse and includes households and industrial consumers. As at December 31, 2013 and 2012 average period of trade receivables origination is 60 days.

Age of impaired trade receivables as at December 31 is presented as follows:

	2013	2012
90-180 days	12,410	17,947
181-270 days	10,713	6,642
271-365 days	32,977	18,835
Over 365 days	68,548	129,905
	124,648	173,329

As at December 31, 2013 and 2012, trade accounts receivable are primarily denominated in tenge.

As at December 31, 2013, trade accounts receivable from related parties amounted to 38,952 thousand tenge (2012: 101,173 thousand tenge) (Note 37).

(in thousands of tenge)

11. ADVANCES PAID FOR ACQUISITION OF CURRENT ASSETS

As at December 31, advances paid for acquisition of current assets presented as follows:

	2013	2012
For acquisition of services	552,165	195,292
For acquisition of goods	246,841	364,750
For acquisition of fuel	23,183	1,262
	822,189	561,304
Allowance for impairment of advances	(19,823)	(19,120)
Total	802,366	542,184

As at December 31, 2013, advances paid to related parties of the Group amounted to 326 thousand tenge (2012: 326 thousand tenge) (Note 37).

12. TAXED RECOVERABLE AND PREPAID

As at December 31, taxes recoverable and prepaid consisted of the following:

	2013	2012
VAT recoverable	638,361	755,391
Property tax	5,450	14,081
Other taxes	3,959	5,101
Total	647,770	774,573

13. OTHER ACCOUNTS RECEIVABLE

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

	2013	2012
Financial aid	1,229,483	1,250,824
Receivables from employees	2,311	2,225
Other	42,950	101,757
	1,274,744	1,354,806
Allowance for doubtful debts	(12,587)	(40,893)
Total	1,262,157	1,313,913

(in thousands of tenge)

As at December 31, 2013, financial aid included an interest free financial aid of 1,229,483 thousand tenge, given to the ultimate owner, JSC CAPEC (Note 37), (December 31, 2012: 1,229,483 thousand tenge, given to the ultimate owner, JSC CAPEC and 21,341 thousand tenge, given to Transportation company SevKazEnergo LLP). The Group presented interest free loan at the amortized cost using an effective interest rate of 12.5%. Group signed an additional agreement № 8 from December 28, 2013 with JSC CAPEC for an extension of the repayment of financial aid until December 31, 2014. As the result, the Group recognized an adjustment to the fair value in equity in the amount of 146,325 thousand tenge, net of deferred income tax of 29,266 thousand tenge (2012: 234,250 thousand tenge, net of deferred income tax of 46,850 thousand tenge). For the year ended December 31, 2013, the Group recognized related interest income of 146,326 thousand tenge (2012: 168,913 thousand tenge) (Note 35).

As at December 31, 2013 and 2012, other accounts receivable is denominated in tenge.

14. OTHER FINANCIAL ASSETS AND RESTRICTED CASH

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

	31 December, 2013	31 December, 2012
Other financial assets:		
Deposits with maturities of more than three months to one year	204	1,447,628
Interest receivable	424	5,980
	628	1,453,608
Restricted cash:		
Cash on reseve accounts of servicing the loans	113,172	70,203
Minimum balances on deposit accounts	150,855	175,370
	264,027	245,573
Included in:		
Non-current assets	131,805	180,370
Current assets	132,222	65,203

The Group places cash on deposits with flexible terms, partial replenishment and withdrawal. Interest rates on deposits are from 3.2% to 9% per annum.

As at December 31, other financial assets and cash restricted in use are denominated in following currencies:

	2013	2012 г.
Tenge	187,850	1,623,811
US dollars	76,805	75,370
	264,655	1,699,181

(in thousands of tenge)

15. CASH AND CASH EQUIVALENTS

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

	2013	2012
Cash in banks current accounts	650,149	477,419
Petty cash	9,140	22,057
Total	659,289	499,476

As of December 31, 2013 and 2012 cash at JSC Eximbank Kazakhstan, which is a related party, amounted to 643,440 thousand tenge and 247,929 thousand tenge, respectively (Note 37).

As at December 31, cash and cash equivalents are denominated in following currencies:

	2013	2012
Tenge	224,796	499,476
US dollars	434,493	-
Total	659,289	499,476

16. SHARE CAPITAL

As at December 31, 2013 and 2012, the Company's sole shareholder is JSC CAEPCO, and share capital of the Company is 16,291,512 thousand tenge. As at December 31, 2013 and 2012 share capital included 143,863,799 common shares.

In accordance with share issue agreement dated January 30, 2012, and March 15, 2012, the Company transferred to the sole shareholder 2,405,000 common shares, in the amount of 481,000 thousand tenge. Contribution to share capital was paid by cash in the amount of 481,000 thousand tenge.

As a result of the Company's operation for 2012 have been declared and paid dividends during 2013 of 578,959 thousand tenge (2012: for 2011 have been declared and paid dividends in the amount of 252,053 thousand tenge).

17. ADDITIONAL PAID-IN CAPITAL

As of December 31, 2013 additional paid-in capital amounted to 277,168 thousand tenge (December 31, 2012: 385,724 thousand tenge).

Additional paid-in capital includes the following:

- difference between the carrying amount of property, plant and equipment received by the Group under the finance lease agreements and present value of minimum lease payments under the finance lease agreements. During the period of finance lease the owner transferred part of property, plant and equipment under the agreement to share capital of the Group with a respective adjustment of additional paid-in capital;
- fair value adjustment of an interest free long-term loan from the shareholder.

(in thousands of tenge)

18. BONDS ISSUED

As at December 31, bonds issued were as follow:

Bonds placed	**2013**	**2012**
Coupon bonds (from May, 15 - November 30, 2012)	2,247,600	2,247,600
Coupon bonds (May 30, 2011)	1,820,000	1,820,000
Coupon bonds (May 14, 2010)	1,994,490	1,994,490
	6,062,090	6,062,090
Including/(excluding):		
(Discount on bonds issued)	(509)	(593)
Premium on bonds issued	369,990	431,347
Accrued interest on bonds issued	357,832	357,832
Total bonds issued	6,789,403	6,850,676
Less: current portion	(357,832)	(357,832)
	6,431,571	6,492,844

On December 31, 2009, the Agency on regulation and supervision of financial market and financial institution of Republic of Kazakhstan made state registration of the issue of the coupon bonds of Joint Stock Company SEVKAZENERGO. The volume of the issue of the bonds face value is 100 tenge amounted to 8,000,000 thousand tenge. The issue of bonds has been divided into 80,000,000 non-secured coupon bonds, which have been assigned with national identification number KZ2C0Y10D695. Issue was included in State register of the issued securities with number of D69.

On March 30, 2010, the Listing commission's decision came into effect about inclusion of the Company's bonds to the official list of Kazakhstan Stock Exchange JSC with category "Debt securities with ratings". Kazakhstan Stock Exchange JSC and the Group signed agreement on listing of issue of non-state securities. Maturity date of bonds' repayment is January 10, 2020.

On May 14, 2010, the Group issued 19,999,900 coupon bonds at 99.95920% of its nominal value with fixed interest rate of 12.5%. Interest is payable twice a year every six months till maturity. The bond issue prospectus does not include any requirements. Maturity date of bonds' repayment is January 10, 2020.

On May 30, 2011, the Group additionally issued 18,200,000 coupon bonds at 105.34530% of its nominal value with fixed interest rate of 12.5%. Interest is payable twice a year every six months till maturity. The bond issue prospectus does not include any requirements. Maturity date of bonds' repayment is January 10, 2020.

During the period from May 15, 2012 till November 30, 2012, the Group additionally issued 22,476,000 coupon bonds at price from 119.75316% to 128.50% of its nominal value with fixed interest rate of 12.5%. Interest is payable twice a year every six months till maturity. The bond issue prospectus does not include any requirements. Maturity date of bonds' repayment is January 10, 2020.

(in thousands of tenge)

19. LONG-TERM LOANS

As at December 31, long-term loans were as follows:

	Maturity date	Interest rate	Currency	2013	2012
SB JSC Sberbank of Russia	October 1, 2015	10%	Tenge	2,016,221	3,515,044
SB JSC Sberbank of Russia	December 19, 2015	10%	Tenge	1,500,000	-
EBRD:	October 18, 2023	All-in Cost+4.5%	Tenge	1,443,000	1,443,000
EBRD	April 22, 2025	All-in Cost+3.75%	Tenge	2,250,000	-
EBRD	April 22, 2025	LIBOR+3.75%	US Dollar	3,071,594	-
Clean Technology Fund	October 18, 2030	0.75%	US Dollar	368,664	361,776
Interest payable				111,069	70,176
Total				10,760,548	5,389,996
One-time commission				(93,222)	(16,378)
Fair value adjustment (Note 21)				(186,374)	(195,930)
				10,480,952	5,177,688
Less: current portion of non-current loan				(1,904,192)	(1,268,999)
				8,576,760	3,908,689

Loans are paid off as follows:

	2013	2012
Within one year	1,904,192	1,268,999
Within the second year	1,991,697	1,201,208
After the second and fifth years inclusive	1,911,202	1,360,681
After five years	4,673,861	1,346,800
	10,480,952	5,177,688

SB JSC Sberbank of Russia loans

On October 1, 2008, the Group concluded agreement No.01/10 on opening of non-renewable credit line with SB JSC Sberbank of Russia for amount of 6,111,839 thousand tenge, with maturity period till October 1, 2015. The loan was received based on shareholders' decision for refinancing of debt of JSC CAPEC. In accordance with the agreement, principal and interest payments are repaid on a quarterly basis. On December 28, 2013, the Group concluded additional agreement to agreement #01/10, according to which the amount of the credit limit was decreased to 2,765,780 thousand tenge.

On December 19, 2013 the Group concluded agreement on the non-revolving credit line with JSC Sberbank of Russia for amount of 1,500,000 thousand tenge, with maturity period till December 19, 2015 with interest rate of 10% per annum. The loan was received based on shareholders' decision. In accordance with agreement, the amount of principal is paid in equal installments from October to May. Interest payments are payable quarterly.

The loan was secured by property, plant and equipment with the carrying value of 28,168,131 thousand tenge (2012: 20,490,746 thousand tenge) (Note 7).

European bank of Reconstruction and Development loans

On March 26, 2011, Petropavlovsk Heat Network LLP, subsidiary, and European Bank of Reconstruction and Development (EBRD) signed a loan agreement for the amount 1,924,000 thousand tenge. Financing will be exercised by the following way: 1,443,000 thousand tenge – two tranches from ordinary sources of EBRD, and 3,250,000 thousand dollars – from Clean Technology Fund subaccount ("CTF"). The loan is aimed for renewal and upgrade of centralized heating networks with the purpose of increase of energy use effectiveness, decreasing losses and improvement of ecological standards. Interest expenses are accrued on principle with the floating interest rate of All-in Cost+4.5% on tranches from EBRD and with interest rate of 0.75% on tranches from CTF. JSC Central Asia Electrical Power Company is a guarantor for this loan. All-inn Cost rate includes loan financing costs (fees, commissions and etc.), which are paid by borrower through the term of loan and are presented as an annual interest rate. During 2011 and 2012 the Group received two tranches for amount 1,443,000 thousand tenge. The loan is repaid by the 20 equal half-year installments starting from April 18, 2014. Last payment is scheduled for October 18, 2023. Interest accrued is repaid by quarterly payments. In 2013 effective interest rate is 6.15 % per annum (2012: 7.26%). Also according to agreement with EBRD the Group accumulates cash means on the bank accounts, during half year period, preceding the date of repayment, opened for servicing of the debt. This cash aimed to be used exclusively for the purpose of interest expenses' and principle amount of loan repayments provided by EBRD, and accordingly was classified in non-current and current assets in the consolidated statement of financial position as of December 31, 2013 as restricted cash for amounts 131,805 thousand tenge and 108,172 thousand tenge, respectively (December 31, 2012: in non-current and current assets in amounts 5,000 thousand tenge и 65,203 thousand tenge, respectively).

On May 22, 2013 the Group concluded a loan agreement #45212 with the European Bank of Reconstruction and Development (EBRD) for amount of 20,000,000 US dollars and 3,000,000 thousand tenge. The loan is aimed to finance the project of restoration and modernization of facilities of TETs-2 in Petropavlovsk city. Interest expenses are accrued on principle with the floating interest rate: loan in U.S. dollars - LIBOR+3.75%, the loan in tenge - All-in Cost+3.75%. During 2013, the Group received two tranches amounting to 20,000,000 US dollars and one tranche in the amount of 2,250,000 thousand tenge. The loan is repayable by eighteen equal semi-annual installments starting from October 22, 2016, the last payment is on April 22, 2025 Interest accrued is repaid by the quarterly payments.

Clean Technology Fund Loan

On February 21, 2012, the Group received loan from CTF for the amount of 2,400 thousand US Dollar. The loan is repaid by the 20 equal half-year installments starting from April 18, 2021. Last payment is scheduled for October 18, 2030. Interest accrued is repaid by the quarterly payments. The Company recognized the loan from CTF at fair value by applying effective interest rate of 7.38%, and as the result recognized adjustment for amount 186,374 thousand tenge in deferred revenue (2012: 202,383 thousand tenge). During the year ended December 31, 2013 the Group amortized the amount of adjustment to fair value by 9,556 thousand tenge, which was capitalized to the cost of property, plant and equipment (2012: 6,453 thousand tenge).

(in thousands of tenge)

20. INCOME TAX

The Group's income tax expense for the years ended December 31, presented as follows:

	2013	2012
Current income tax expense	34,251	35,821
Deferred income tax expense	988,108	698,000
Income tax expense	1,022,359	733,821

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

	2013	2012
Deferred tax assets arising from:		
Loss carried forward	835,869	600,471
Ash dump restoration liability	69,424	57,727
Allowance for doubtful debts	28,074	42,844
Allowance for obsolete inventories	10,339	12,011
Provision for unused vacation	5,446	4,721
Accrued but unpaid taxes	16,458	11,452
Fair value adjustment of financial aid	33,219	33,219
Deferred revenue	40,477	40,477
Other assets	7,280	3,284
Total deferred tax assets	1,046,586	806,206
Deferred tax liabilities arising from:		
Carrying value of property, plant and equipment and intangible assets	(8,042,886)	(6,816,887)
Loan commission	(5,650)	(3,276)
Long-term accounts payable	(37,275)	(93,565)
Total deferred tax liabilities	(8,085,811)	(6,913,728)
Deferred tax liabilities, net	(7,039,225)	(6,107,522)

Movement in deferred taxes during the years ended December 31, was as follows:

	2013	2012
At January 1	(6,107,522)	(5,399,923)
Increase in deferred tax liabilities recorded:		
In profit or loss	(988,108)	(698,000)
In consolidated statement of changes in equity	56,405	(9,599)
At December 31	(7,039,225)	(6,107,522)

(in thousands of tenge)

Income tax expense for the years ended December 31, and profit before income tax were reconciled in profit or loss as follows:

	2013	2012
Profit before income tax	3,812,369	2,573,004
Tax at statutory rate	762,474	514,601
Finance costs on long-term loans	40,990	59,139
Over normative losses	63,240	71,007
Unused tax losses not recognized as deferred tax assets	34,634	49,492
Tax effect of other permanent differences	121,021	39,582
Income tax expense	1,022,359	733,821

21. DEFERRED REVENUE

As at December 31, 2013, deferred revenue for the amount of 202,383 (2012: 202,383 thousand tenge) thousand tenge represents fair value adjustment of loan received from CTF (Note 19).

22. LONG-TERM ACCOUNTS PAYABLE

As at December 31, long-term accounts payable was as follows:

	2013	2012
Financial aid from shareholder	78,000	1,000,000
	78,000	1,000,000
Less: Discount on financial aid	(13,535)	(271,892)
	64,465	728,108

In 2012 the Group has signed agreement with JSC CAEPCO on borrowing of interest free financial aid with the repayment date of December 31, 2015. As the result the Group has recognised fair value adjustment in additional paid in capital in amount of 282,242 thousand tenge excluding deferred income tax in the amount of 56,449 thousand tenge.

On August 14, 2013 under the additional agreement to provide financial aid the Group received from JSC CAEPCO financial aid in the amount of 200,000 thousand tenge. During 2013 the Group made the early repayment of financial aid in the amount of 1,122,000 thousand tenge. As the result the Group has recognised fair value adjustment in additional paid in capital in amount of 135,695 thousand tenge excluding deferred income tax in the amount of 27,139 thousand tenge. For the year ended December 31, 2013, the Group recognised financial costs in amount of 122,662 thousand tenge (2012: 10,351 tenge) (Note 34).

(in thousands of tenge)

23. ASH DUMP RESTORATION LIABILITY

The Group uses three ash dumps for production purposes. At the end of the useful life those ash dumps should be restored. In order to determine the amount of the ash dump restoration liability management of the Group is required to perform estimation of the future cost of restoration of ash dumps. As at December 31, 2013, the Group evaluated general obligations on ash dumps restoration for the amount of 347,122 thousand tenge (2012: 288,634 thousand tenge). This liability was discounted using the effective interest rate of 12% per annum, which is incremental borrowing rate of financing for the Group.

The movement of the ash dump restoration liability is as follow:

	2013	2012
As at January 1	288,634	385,239
Finance cost (Note 34)	36,235	47,774
Restoration during the year	-	(155,427)
Change in estimates (Note 7)	22,253	11,048
As at December 31	347,122	288,634
Current portion	-	155,427
Non-current portion	347,122	133,207
	347,122	288,634

24. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are paid in accordance with the Collective Agreement concluded between the Group and its labor collective. The Group's employee benefit obligations as at December 31, consisted of:

	2013	2012
Present value of current employee benefit obligation	3,846	4,023
Present value of non-current employee benefit obligation	40,420	36,203
	44,266	40,226

(in thousands of tenge)

Below is presented the reconciliation of the current amount of employee benefit obligation for the years ended December 31:

	2013	2012
Total amount of liabilities at the beginning of the year	40,226	34,082
Interest expense	2,222	2,536
Current service cost	2,398	1,813
Actuarial loss recognized for the year	6,626	7,422
Payments made	(7,206)	(5,627)
Total amount of liabilities at the end of the year	44,266	40,226
Obligation which matures during the year	(3,846)	(4,023)
Obligation which matures after one year	40,420	36,203

Actuarial loss recognized for the years ended December 31, 2013 and 2012, is mainly the result of change in assumption regarding the annual growth of the minimum salary in the future as a result of a significant increase in the minimum salary in the Republic of Kazakhstan, and additional increase in the average salary of the employees of the Group in 2013.

Calculations of the liabilities of the Group were prepared based on published statistic data on the level of mortality and actual data of the Group on the quantity, age, sex and length of service of workers and pensioners, and statistics on changes in the number of personnel. Other main assumptions at the reporting date presented below:

	2013	2012
Discount rate	5.82%	7.87%
Expected annual growth of minimum calculation index	6.00%	6.00%
Expected annual growth of minimum salary in the future	8.00%	8.00%

25. TRADE ACCOUNTS PAYABLE

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

	2013	2012
For services rendered	1,157,268	765,751
For purchased goods	574,416	727,032
For fuel	529,423	242,749
Other	577	606
Total	2,261,684	1,736,138

(in thousands of tenge)

As at December 31, trade accounts payable denominated in the following currencies:

	2013	2012
Tenge	2,190,755	1,239,738
Russian rouble	70,929	496,400
Total	2,261,684	1,736,138

26. SHORT-TERM LOANS

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

	Interest rate	Currency	2013	2012
SB JSC Sberbank of Russia	10-11%	Tenge	3,699,366	3,432,000
SB JSC HSBC Kazakhstan	17%	Tenge	170,000	-
Interest payable			28,882	29,078
Total			3,898,248	3,461,078

SB JSC Sberbank of Russia Loans

On June 27, 2008, the Group concluded accessory (loan) agreement No.27/06 and agreement on opening of credit line with SB JSC Sberbank of Russia with availability till June 27, 2014. Loan was borrowed according to decision of shareholders to replenish working capital and receiving of loan is performed in tranches with maturity not more than 12 months. On December 29, 2011, the Group concluded additional agreement to the agreement No.27/06, according to which the interest rate was decreased from 11% to 10%. In accordance with the loan agreements principal and interest is repaid on quarterly basis. On September 2, 2013 the Group signed an agreement on the termination of the credit line No.27/06 dated June 27, 2008.

On September 2, 2013 the Group concluded agreement No.02/09/13-КЛ, a revolving credit line with JSC Sberbank of Russia with availability till September 2, 2015. Loan was borrowed to replenish working capital and receiving of loan is performed in tranches with maturity not more than 12 months. Interest rate on the loan was 10%. In accordance with the loan agreement, the amount of principal and interest are repaid on quarterly basis. SB JSC Sberbank of Russia Loans were secured by the property, plant and equipment with the net book value of 28,168,131 thousand tenge (2012: 20,490,746 thousand tenge) (Note 7).

SB JSC HSBC Kazakhstan Loan

On February 28, 2013 the Group concluded a framework agreement with SB JSC HSBC Bank Kazakhstan, on which the bank provided without collateral revolving credit line, with interest rate of 7.5%, for the total amount of the credit line of 1 billion tenge, with the period of availability till 12 months and for a period of 18 months from the date of signing. Loan was attracted according to decision of shareholders to replenish working capital and receiving of loan is performed in tranches with maturity not more than 6 months. Interest is repaid on monthly basis.

(in thousands of tenge)

27. ADVANCES RECEIVED

As at December 31, advances received consisted of the following:

	2013	2012
Advances received for electricity	384,355	344,345
Advances received for heat	221,938	161,356
Advances received for other assets	5,727	6,090
Total	612,020	511,791

28. TAXES AND NON-BUDGET PAYABLE

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

	2013	2012
Value added tax	60,400	37,408
Environmental tax	56,765	46,498
Personal income tax	19,501	10,596
Social tax	14,889	8,719
Social insurance	11,374	7,183
Property tax	5,404	-
Other	2,643	1,640
Total	170,976	112,044

29. OTHER LIABILITIES AND ACCRUED EXPENSES

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

	2013	2012
Due to employees	156,476	92,983
Provision for unused vacation	27,973	23,601
Pension fund	26,531	16,508
Other	10,598	46,187
Total	221,578	179,279

As at December 31, other liabilities and accrued expenses are denominated in tenge.

(in thousands of tenge)

30. REVENUE

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

	2013	2012
Sale of electricity	13,713,159	10,393,862
Transmission of electricity	3,721,424	3,103,663
Transmission of heat	1,719,439	1,472,385
Sale of heat	1,796,058	1,600,566
Sale of chemical products	11,840	14,480
Total	20,961,920	16,584,956

In 2013 revenue from transactions with the related parties amounted to 686,840 thousand tenge (2012: 318,063 thousand tenge) (Note 37).

31. COST OF SALES

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

	2013	2012
Fuel	6,402,865	5,421,742
Depreciation and amortization	2,188,906	1,739,779
Services purchased	1,915,680	1,674,196
Payroll expenses and related taxes	1,683,490	1,134,645
Inventories	912,708	973,962
Electricity transmission	145,856	128,704
Other	421,407	119,042
Total	13,670,912	11,192,070

32. SELLING EXPENSES

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

	2013	2012 (Restated)
Payroll expenses and related taxes	116,955	98,322
Bank charges	46,768	44,014
Dispatcher services	9,713	13,861
Inventories	6,109	6,000
Depreciation and amortization	3,606	4,427
Security expenses	3,152	3,128
Other	61,965	33,465
Total	248,268	203,217

(in thousands of tenge)

33. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2013	2012
Payroll expenses and related taxes	865,181	630,946
Taxes other than income tax	447,171	388,790
Transportation expenses	144,638	136,052
Depreciation and amortization	82,954	78,975
Bank charges	63,503	21,391
Security expenses	60,011	57,306
Inventories	49,925	36,653
Legal and audit services	47,463	42,017
VAT on losses	33,878	38,694
Business trip expenses	27,063	24,467
Penalties and fines	21,340	80,685
Insurance	14,536	7,234
Maintenance of property, plant and equipment	6,647	8,023
(Recovery)/accrual of allowance for obsolete inventories	(8,361)	5,484
Recovery of allowance for doubtful debts	(76,284)	(10,434)
Other	216,483	165,528
Total	1,996,148	1,711,811

34. FINANCE COSTS

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

	2013	2012
Interest expenses on bank loans	621,805	785,063
Interest expenses on issued bonds	757,762	545,124
Interest expenses on the ash-dump restoration liability (Note 23)	36,235	47,774
Amortisation of discount on interest-free loan received (Note 22)	122,662	10,351
Other	84	15,085
Total	1,538,548	1,403,397

35. FINANCE INCOME

Finance income for the years ended December 31 was as follows:

	2013	2012
Interest income on interest-free loan (Note 13)	146,326	168,913
Interest income from cash placed on deposit	2,007	6,204
Interest income from bonds issue	61,357	24,243
Total	209,690	199,360

(in thousands of tenge)

In 2013 interest income of 146,326 thousand tenge (2012: 168,913 thousand tenge) is presented as fair value adjustment of interest-free loan provided to JSC CAPEC (Notes 13 and 37). In 2013 interest income from cash placed on deposit at JSC Eximbank Kazakhstan amounted to 2,007 thousand tenge (2012: 6,203 thousand tenge) (Note 37).

36. OTHER INCOME

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

	2013	**2012**
Rent income	33,461	12,985
Income from sales of inventories, net	29,571	38,620
Income from fines for non-compliance with the terms of the contract	27,924	94,628
Income from inventory from dismantling of property, plant and equipment	19,388	23,592
Income from building and construction works	12,684	33,517
Income from write-off of accounts payable	-	121,449
Depreciation expenses on property, plant and equipment, transferred into operating lease	(24,030)	(22,847)
Other (loss)/income	(30,084)	1,774
Total	68,914	308,382

37. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include the Group's owners, their subsidiaries and associates or companies over which the Group or its owners have significant control and key management personnel.

The transactions with related parties are conducted on terms that might not necessarily be available to third parties.

Transactions among the Company and its subsidiaries and jointly controlled companies are eliminated upon consolidation and are not presented in this note.

(in thousands of tenge)

During the year Company's of the Group performed following deals on main and other activities, with related parties not included in the Group:

Company	Services provided		Services acquired		Purchase of assets	
	2013	2012	2013	2012	2013	2012
Subsidiaries of JSC CAEPCO	669,065	318,063	-	-	-	-
Subsidiaries of JSC CAPEC	17,775	-	-	-	-	371,402
Associated companies of JSC CAPEC	-	-	21,100	10,816	-	-
JSC CAPEC	-	-	-	434	-	-
European Bank for Reconstruction and Development	-	-	-	871	-	-
Others	-	-	-	-	-	64
	686,840	318,063	21,100	12,121	-	371,466

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

Company	Payables of related party		Payables to related party	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Subsidiaries of JSC CAEPCO	38,952	101,173	-	-
CAEPCO JSC	-	-	152	10,111
CAPEC JSC	1,229,483	1,229,483	744	487
Associated companies of JSC CAPEC	-	-	20	20
Others	326	326	-	-
	1,268,761	1,330,982	916	10,618

The Group carried out financial transactions with related parties, such as bank loans and the allocation of funds on deposit. As a result of financial transactions with related parties, the Group has the following balances:

Company	Loans, including accrued interest		Cash on deposits in banks, including restricted cash		Cash in banks	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
European Bank for Reconstruction and Development	6,860,984	1,471,950	-	-	-	-
Associated companies of JSC CAPEC	-	-	250,605	1,699,181	643,440	247,929
	6,860,984	1,471,950	250,605	1,699,181	643,440	247,929

(in thousands of tenge)

For the years ended December 31, 2013 and 2012, the Group has the following financial transactions with related parties:

	Expense on loan payables to related parties		Interest income accrued on cash deposits in a bank	
Наименование компании	**2013**	**2012**	**2013**	**2012**
European Bank for Reconstruction and Development	125,992	79,940	-	-
CAEPCO JSC	122,662	10,351		
Associated companies of JSC CAPEC	-	230,853	2,007	6,204
JSC CAPEC	-	-	146,326	168,913
	248,654	322,144	148,333	175,117

Key personnel of the Group

During 2013 the compensation to the key management of the Group amounted to 46,581 thousand tenge (2012: 43,377 thousand tenge).

38. EARNING PER SHARE

The earning per share in calculation of profit on the shares calculates on the basis of the weighted average quantity of the issued shares for the years ended December 31, 2013 and 2012. Sum of ordinary shares and sum of diluted shares are equal because dilution was not made.

	2013	**2012**
Profit for the year	2,790,010	1,839,183
Weighted average quantity of shares	143,863,799	143,204,697
Earning per share in tenge	19.39	12.84

On November 8, 2010, KASE has installed new rules for the companies included in listing lists which required representation of balance cost of one ordinary share in the financial statement of the companies included in listing.

Carrying value of one ordinary share as of December 31 is presented below.

Type of shares	**Quantity of issued shares**	**Net assets**	**Carrying value in tenge**
December 31, 2013	143,863,799	29,696,365	206.42
December 31, 2012	143,863,799	27,715,851	192.65

Balance cost of one ordinary share calculated as net assets divided by quantity of ordinary shares issued as of December 31, 2013 and 2012.

Net assets comprise all assets except of intangible assets and liabilities in the consolidated statement of financial position as of December 31, 2013 and 2012.

39. FINANCIAL INSTRUMENTS, FINANCIAL RISK POLICY AND OBJECTIVES

The Group's financial instruments include cash, and also accounts receivable and payable. The main financial instruments risks are the risks related to liquidity and credit risks. The Group also controls the market risk and interest rate risk that arises on all financial instruments.

Risk of capital insufficiency management

The Group manages the risk of capital insufficiency to ensure that it will be able to continue as a going concern while increasing tariffs and optimizing the balance, debt and equity.

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

Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses for each class of financial asset, financial liability and equity instrument are disclosed in Note 5 to the consolidated financial statements.

Financial risk management objectives

Risk management is an important part of the Group's activities. The Group monitors and manages the financial risks relating to the operations of the Group by analyzing exposures by degree and magnitude of risks. These risks include market risk, liquidity risk and cash flow interest rate risk. The Group's risk management policies are listed below.

Currency risk

Amount of current and non-current debt of the Group is mainly denominated in tenge.

Interest rate risk

The interest rate risk for the Group is the risk of a change in market interest rates that could lead to increase of cash outflows on the Group's loans. The Group limits the interest rate risk by attracting loans with fixed interest rate, except EBRD loan.

Interest rate sensitivity analysis

The table below presents sensitivity analysis in terms of fluctuation of interest rates on non-derivative instruments as at the reporting date. As for the liabilities with floating interest rates, the analysis was prepared based on the assumption that the amount of outstanding liabilities remained outstanding for the whole year. In preparation of management reports on interest rate risks for the key management of the Group, an assumption is made that the interest rate will be changed by 1% which is in compliance with the management's expectations regarding reasonably possible fluctuations of interest rates.

(in thousands of tenge)

If interest rates on liabilities were 1% more/less and all other variables remained unchanged, the Group's profit for the year ended December 31, 2013 and retained earnings as at December 31, 2013 would decrease by 70,423 thousand tenge/would increase by 70,423 thousand tenge (2012: respectively: would decrease by 88,315 thousand tenge/would increase by 88,315 thousand tenge). This applies to the Group's exposure to interest rate sensitivity risk on its loan with floating interest rate.

Weighted average effective interest rates are as follows as of December 31:

	2013	**2012**
Other financial assets	8.22%	7.00%
Short-term loans	10%	11.85%
Long-term loans	6.49%	7.26%
Bonds issued	12.5%	12.50%

Credit risk

Credit risk arising as a result of contracting parties failing to meet the conditions of agreements with the Group's financial instruments is usually limited to amounts, if any, that the contracting parties liabilities exceed the Group's liabilities to these contracting parties. The Group's policy talks of concluding transactions with financial instruments with a series of solvent contracting parties. The Group's maximum credit risk equals the carrying value of each financial asset. The Group considers that its maximum risk equals its trade accounts receivable (Note 10) and other accounts receivable (Note 13) less allowance for doubtful debts recorded as at the reporting date.

Credit risk concentration could arise if one borrower or a group of borrowers due several amounts with similar operating conditions, in relation to which there are reasons 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 to ensure that transaction clients have a suitable credit history and do not exceed established credit limits.
The Group does not act as the guarantor for third parties' liabilities.

Market risk

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

Currency risk management

The Group performs certain transactions denominated in foreign currency and thus risk changes in foreign exchange rates may arise. The Group considers this risk as insignificant.

Sensitivity analysis related to foreign currency

The Group's currency risk exposure is not significant since the majority of the transactions are denominated in tenge.

(in thousands of tenge)

Liquidity risk

The Group's owners are ultimately responsible for liquidity risk management due to having created an appropriate system of controls for Group Management in accordance with requirements of liquidity management and short-, middle-, and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, bank borrowings and available credit lines by means of constant monitoring of budgeted and cash flow and comparing of maturity dates of its financial assets and liabilities.

The following tables show the Group's contract dates for its non-derivative financial assets and liabilities. The table was compiled based on the 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, as well as interest and the debt principal.

Liquidity and interest rate risk tables were as follows as of December 31, 2013:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		1,150,891	-	-	124,648	1,275,539
Other accounts receivable		1,262,157	-	-	12,587	1,274,744
Cash and cash equivalents		659,289	-	-	-	659,289
Long-term payables		(78,000)	-	-	-	(78,000)
Trade accounts payable		(2,261,684)	-	-	-	(2,261,684)
Interest bearing:						
Other financial assets	3.2% - 9.00%	628	-	-	-	628
Restricted cash	3.2% -9.00%	145,314	167,847	50,883	-	364,044
Short-term loans	7.5%- 10.00%	(4,208,810)	-	-	-	(4,208,810)
Long-tern loans	0.75%- 10.00%	(2,678,030)	(5,531,291)	(5,682,999)	-	(13,892,320)
Bonds issued	12.50%	(757,761)	(3,788,806)	(6,440,971)	-	(10,987,538)
		(6,766,006)	(9,152,250)	(12,073,087)	137,235	(27,854,108)

(in thousands of tenge)

Liquidity and interest rate risk tables were as follows as of December 31, 2012:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		1,250,925	-	-	173,329	1,424,254
Other accounts receivable		1,313,913	-	-	40,893	1,354,806
Cash and cash equivalents		499,476	-	-	-	499,476
Long-term payables		(1,000,000)	-	-	-	(1,000,000)
Trade accounts payable		(1,736,138)	-	-	-	(1,736,138)
Interest bearing:						
Other financial assets	3.2%-9.00%	1,480,408	-	-	-	1,480,408
Restricted cash	3.2%-9.00%	70,746	191,595	-	-	262,341
Short-term loans	10%	(3,744,571)	-	-	-	(3,744,571)
Long-tern loans	0.75%-10.00%	(1,654,726)	(3,088,011)	(1,663,611)	-	(6,406,348)
Bonds issued	12.50%	(757,761)	(3,788,806)	(7,629,486)	-	(12,176,053)
		(4,277,728)	(6,685,222)	(9,293,097)	214,222	(20,041,825)

Fair value of financial instruments

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The fair value hierarchy of debt securities is Level 1; for loans given – Level 2. There were no transfers between the Levels during the year.

As of December 31, 2013 and 2012 the carrying value of all other financial assets and liabilities was approximately equal to their fair value.

40. COMMITMENTS AND CONTINGENCIES

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 enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Environment, health and labor protection matters

The Group believes it is currently in compliance with all existing environmental laws and regulations on health and workplace safety of the Republic of Kazakhstan. However, environmental laws and regulations may change in the future. The Group is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernize technology to meet more stringent standards.

Insurance

As of December 31, 2013 and 2012 the Group did not insure its assets, except for TETs-2 production facility. Since absence of insurance does not mean decrease in cost of assets or appearance of liabilities no provision was created in the consolidated financial statements for unforeseen expenses related to spoilage and loss of such assets.

Capital investments

On November 26, 2013, Agreement on investment obligations of the Group for 2013 was signed between the Ministry of industry and new technologies of the Republic of Kazakhstan and the Group. According to this agreement the Group is obliged to invest in construction, modernization and acquisition of property, plant and equipment of 6,109,252 thousand tenge till the end of 2013 (2012: 5,645,106 thousand tenge). As at December 31, 2013, the Group complied with all investment obligations.

Tariffs formation

The Group agrees with the Department of the Agency of the Republic of Kazakhstan on regulation of natural monopolies in the Northern Kazakhstan region the tariffs on electricity and heat. Management of the Company believes that all the rebates were provided in accordance with the legislation of the Republic of Kazakhstan.

41. EVENTS AFTER THE REPORTING PERIOD

Tariffs

In accordance with the Agreement #308 "On the performance of the investment obligations" between JSC SEVKAZENERGO and the Ministry of industry and new technologies of the Republic of Kazakhstan for 2014, the ceiling tariff for production of electricity increased by 14.4%.

Starting from January 1, 2014, the Department of the Agency of the Republic of Kazakhstan on regulation of natural monopolies increased tariff on monopolistic activities of subsidiary of JSC SEVKAZENERGO for transmission and distribution of electricity 5.8%.

Starting from January 1, 2014, the Department of the Agency of the Republic of Kazakhstan on regulation of natural monopolies increased tariff of subsidiary of JSC SEVKAZENERGO for retail realization of electricity to legal entities by 12.4% and to individuals by 9%.

Loans

In 2014 the Group received short-term loans under the credit line with SB JSC Sberbank of Russia of 995,000 thousand tenge at an interest rate of 10% per annum.

On January 14, 2014, the Group signed an agreement on changes and amendments to the agreement #1 dated May 22, 2013, concluded between JSC Central Asian Electric Power Corporation and the European Bank for Reconstruction and Development. Under this agreement, it is planned to provide a loan in the amount of 9,000 thousand U.S. dollars. Cash received under this loan will be directed to implementation of activities on introduction of the Automated System of Commercial Electricity Accounting (ASCEA) of the retail electricity market.

On February 5, 2014, the Group received the first part of the loan in the amount of 5,322 thousand U.S. dollars and on February 11, 2014 the second part in the amount of 1,678 thousand U.S. dollars. Loan repayable by 18 equal semi-annual installments on October 22 and on April 22, starting from the interest payment date falling on the third anniversary date (after three years) of signing the agreement. Interest is payable in quarterly installments.

JSC Central Asian Electric Power Corporation acts as a guarantor on the loan.

On February 6, 2014 the Group concluded a term deposit agreement with JSC Eximbank Kazakhstan, with the term of placement of 24 months, with the interest rate of 3.5% per annum. Under the terms of the agreement, it is possible partial removal of the deposit amounts with maintaining minimum balances of 1,000 thousand U.S. dollars.

On February 10, 2014, the Group received a CTF loan tranche for amount of 850 thousand U.S. dollars, according to the agreement No.42579 dated March 26, 2011, concluded with the European Bank for Reconstruction and Development (EBRD). The loan is repaid with the 20 equal half-year installments from April 18, 2021 for 10 years. The borrower pays a fee, accrued over the period of accrual of CTF loan interest for an amount not repaid at particular point of the loan part at the rate of 0.75% per annum.

Operating environment

On February 11, 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the Tenge exchange rate. As a result, the official exchange rate of Tenge to U.S. dollar fell to 184.55 Tenge per U.S. dollar as at February 12, 2014, i.e. by approximately 19%. To prevent the destabilisation of the financial market and economy as a whole, the National Bank plans to set an exchange corridor for the Tenge against the U.S. dollar at 182-188 Tenge per U.S. dollar. As at March 31, 2014, Tenge to U.S. dollar official exchange rate is 182.04 Tenge per U.S. dollar.

The Group management believes that it has taken appropriate measures to support the sustainability of the Group business under the current circumstances. However, a decrease in the Tenge exchange rate could negatively affect the results and financial position of the Group in a manner not currently determinable.