

**JSC National Atomic Company
Kazatomprom**

Consolidated Financial Statements
as at and for the year ended 31 December 2013

CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013	1
INDEPENDENT AUDITOR'S REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013:	
Consolidated statement of profit and loss and other comprehensive income	4
Consolidated statement of financial position	5 - 6
Consolidated statement of cash flows	7
Consolidated statement of changes in equity	8
Notes to the consolidated financial statements	9 - 86

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013**

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the consolidated financial statements of JSC National Atomic Company Kazatomprom and its subsidiaries (hereinafter the "Group").

Management of the Group is responsible for the preparation of consolidated financial statements of the Group that present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in 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; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation 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.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorized for issue by management of the Group on 6 March 2014.

On behalf of management of the Group:

Shkolnik V.S.
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan



Kaliyeva Z.G.
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC National Atomic Company Kazatomprom.

We have audited the accompanying consolidated financial statements of JSC National Atomic Company Kazatomprom and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

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



Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of Finance
of the Republic of Kazakhstan dated 13 September 2006

6 March 2014
Astana, Republic of Kazakhstan



Daulet Kuarbekov
Engagement Partner
Qualified auditor
Qualification certificate #0000523
dated 15 February 2002
Republic of Kazakhstan

A handwritten signature in black ink, appearing to read "N. Bekenov".

Nurlan Bekenov
General Director
Deloitte, LLP

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

	Notes	2013 ‘000 KZT	2012 ‘000 KZT
Revenue	8	288,282,775	321,746,064
Cost of sales	9	(229,904,505)	(243,906,924)
Gross profit		58,378,270	77,839,140
Distribution expenses	10	(3,959,934)	(3,590,108)
Administrative expenses	11	(29,301,780)	(24,416,043)
Financial income	12	4,602,902	3,820,825
Recovery of written off receivables		881,519	72,699
Impairment losses	6	(20,850,953)	(3,497,240)
Gain on extinguishment of liability and deconsolidation of subsidiary (Semizbay-U)	39	23,929,927	-
Financial expense	12	(8,246,860)	(13,046,433)
Foreign exchange loss		(1,954,252)	(2,745,934)
Share of profit of associates		13,527,853	19,444,689
Share of profit of jointly controlled entities		10,123,452	12,925,516
Other income	13	2,970,657	422,714,
Other expenses	14	(6,293,577)	(4,953,762)
Profit before income tax expense		43,807,224	62,276,063
Income tax expense	16	(7,275,362)	(10,279,039)
PROFIT FOR THE YEAR		36,531,862	51,997,024
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		628,067	57,455
Other comprehensive income for the year		628,067	57,455
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		37,159,929	52,054,479
Profit for the year attributable to:			
Owners of the Company		35,903,872	50,914,945
Non-controlling interests		627,990	1,082,079
		36,531,862	51,997,024
Total comprehensive income for the year attributable to:			
Owners of the Company		36,531,589	50,969,885
Non-controlling interests		628,340	1,084,594
		37,159,929	52,054,479
Earnings per share			
Basic and diluted (in whole KZT)	17	979	1,388

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

Shkolnik V.S.
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan



Kaliyeva Z.G.
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-86 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	31.12.2013 '000 KZT	31.12.2012 '000 KZT
ASSETS			
Non-current assets			
Intangible assets	18	7,205,953	12,026,973
Property, plant and equipment	19	136,855,548	123,661,474
Mine development assets	20	33,718,775	36,962,366
Mineral rights	21	2,710,270	8,275,262
Exploration and evaluation assets	22	6,066,621	3,742,692
Investments in associates	23	86,336,938	80,611,978
Investments in jointly controlled entities	24	47,480,502	20,147,386
Other investments	25	67,055,487	67,056,184
Investment property		800	800
Accounts receivable		726,502	6,832
Deferred tax assets	30	2,447,355	2,716,415
Term deposits	31	969,643	3,756,382
Loans to related parties	32	18,192,451	13,277,619
Other assets	28	37,388,212	43,873,451
Total non-current assets		447,155,057	416,115,814
Current assets			
Accounts receivable	26	32,916,921	80,630,405
Asset held for the benefit of the ultimate controlling party	27	-	22,800,818
Prepaid income tax		4,856,112	4,809,923
VAT recoverable		31,218,143	25,658,253
Inventories	29	60,370,349	60,379,661
Term deposits	31	1,626,846	2,159,890
Loans to related parties	32	1,341,644	20,000
Cash and cash equivalents	33	17,152,101	38,038,905
Long-term assets held for sale		168,311	772,758
Other assets	28	6,941,916	5,747,945
Total current assets		156,592,343	241,018,558
Total assets		603,747,400	657,134,372

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2013**

	Notes	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
EQUITY AND LIABILITIES			
Equity			
Share capital	34	36,692,362	36,692,362
Additional paid-in capital		4,784,842	4,784,842
Foreign currency translation reserve		(404,944)	(1,032,661)
Retained earnings		353,266,293	324,999,663
Total equity attributable to Owners of the Company		394,338,553	365,444,206
Non-controlling interests	7	12,452,457	11,912,025
Total equity		406,791,010	377,356,231
Non-current liabilities			
Loans and borrowings	35	90,868,454	94,328,211
Accounts payable	37	2,361,214	2,815,395
Provisions	36	15,724,186	10,843,496
Deferred tax liabilities	30	3,707,583	5,107,912
Retirement benefit plans		881,634	-
Other liabilities	38	6,331,170	5,053,495
Total non-current liabilities		119,874,241	118,148,509
Current liabilities			
Loans and borrowings	35	29,803,328	14,023,621
Provisions	36	97,729	22,896,069
Accounts payable	37	31,764,073	50,133,535
Other financial liabilities	39	-	46,676,358
Liabilities for other taxes and mandatory payments		3,539,004	6,461,254
Retirement benefit plans		232,313	-
Income tax liabilities		1,045,426	164,092
Other liabilities	38	10,600,276	21,274,703
Total current liabilities		77,082,149	161,629,632
Total liabilities		196,956,390	279,778,141
Total equity and liabilities		603,747,400	657,134,372

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:


Shkolnik V.S.
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan


Kaliyeva Z.G.
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

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JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 ‘000 KZT	2012 ‘000 KZT
OPERATING ACTIVITIES		
Receipts from customers	372,166,723	330,461,772
Interest received	865,903	976,862
Payments to suppliers	(293,315,289)	(265,445,399)
Payments to employees	(37,585,164)	(35,064,959)
Cash flows from operations	42,132,173	30,928,276
Income tax paid	(10,970,635)	(11,729,424)
Interest paid	(6,599,362)	(6,234,442)
Cash flows from operating activities	24,562,176	12,964,410
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	112,791	90,552
Redemption of term deposits	5,573,330	27,427,376
Dividends received from associates and other investments	23,352,260	43,099,360
Proceeds from grants	-	308,832
Placement of term deposits	(3,191,760)	(6,487,683)
Acquisition of property, plant and equipment	(24,583,641)	(27,827,631)
Advances paid for property, plant and equipment	(2,467,147)	(4,712,546)
Acquisition of intangible assets	(395,830)	(237,432)
Acquisition of mine development assets	(61,995)	(7,804,219)
Acquisition of exploration and evaluation assets	(1,524,922)	(737,616)
Acquisition of subsidiaries, net of cash acquired	-	(10,553)
Acquisition of investments in associates and joint ventures	(20,155,906)	(2,543,139)
Other	(555,977)	(689,650)
Cash flows (used)/ from investing activities	(23,898,797)	19,875,651
FINANCING ACTIVITIES		
Proceeds from contribution to capital by non-controlling interests	-	1,442,560
Proceeds from borrowings	69,429,617	19,507,591
Repayment of borrowings	(51,939,457)	(37,631,045)
Transaction costs relating to borrowings	(2,868)	(6,605)
Payment of finance lease liabilities	(6,475)	(29,856)
Purchase of assets held for the benefit of the ultimate controlling party	-	(4,004,552)
Repayment of financial liability (Note 39)	(19,972,920)	-
Dividends paid to shareholder	(19,535,628)	(16,204,978)
Other	1,269	-
Cash flows used in financing activities	(22,026,462)	(36,926,885)
Net decrease in cash and cash equivalents	(21,363,083)	(4,086,824)
Cash and cash equivalents at the beginning of the year (Note 33)	38,038,905	41,837,161
Effect of exchange rate fluctuations on cash and cash equivalents	476,279	288,568
Cash and cash equivalents at end of year (Note 33)	17,152,101	38,038,905

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

Shkolnik V.S.
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan



Kaliyeva Z.G.
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-86 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

'000 KZT	Share capital Note 34(a)	Foreign currency translation reserve Note 34(c)	Retained earnings	Additional paid-in capital Note 34(c)	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
At 1 January 2012	36,692,362	(1,087,601)	297,656,953	4,928,671	338,190,385	9,666,681	347,857,066
Profit for the year	-	-	50,914,945	-	50,914,945	1,082,079	51,997,024
Foreign currency translation	-	54,940	-	-	54,940	2,515	57,455
Total comprehensive income for the year	-	54,940	50,914,945	-	50,969,885	1,084,594	52,054,479
Dividends declared (Note 34b)	-	-	(23,501,328)	-	(23,501,328)	(204,413)	(23,705,741)
Other distributions	-	-	(70,907)	-	(70,907)	-	(70,907)
Change in non-controlling interest	-	-	-	-	-	1,442,560	1,442,560
Change in equity of associates	-	-	-	(143,829)	(143,829)	(77,397)	(221,226)
At 31 December 2012	36,692,362	(1,032,661)	324,999,663	4,784,842	365,444,206	11,912,025	377,356,231
Profit for the year	-	-	35,903,872	-	35,903,872	627,990	36,531,862
Foreign currency translation	-	627,717	-	-	627,717	350	628,067
Total comprehensive income for the year	-	627,717	35,903,872	-	36,531,589	628,340	37,159,929
Dividends declared (Note 34b)	-	-	(7,637,242)	-	(7,637,242)	(204,928)	(7,842,170)
Change in non-controlling interest	-	-	-	-	-	117,020	117,020
At 31 December 2013	36,692,362	(404,944)	353,266,293	4,784,842	394,338,553	12,452,457	406,791,010

These consolidated financial statements were approved by management on 6 March 2014 and were signed on its behalf by:

Shkolnik V.S.
Chairman of the Management Board

6 March 2014
Astana, Republic of Kazakhstan



Kaliyeva Z.G.
Chief Accountant

6 March 2014
Astana, Republic of Kazakhstan

The accompanying notes on pages 9-86 form an integral part of these consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. BACKGROUND

(a) Organizational structure and operations

JSC National Atomic Company Kazatomprom (the "Company") and its subsidiaries and jointly controlled entities (together, the "Group") comprise Kazakhstan joint stock and limited liability companies as defined in the Civil Code of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997, and the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issue No. 1148 dated 22 July 1997.

In accordance with the Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Shareholder is wholly owned by the Government of the Republic of Kazakhstan. The Company's registered office is 10, Kunayeva Street, Astana, Republic of Kazakhstan. In June 2011 the Company relocated its head office to Astana city in accordance with a decision of the management board of the Shareholder. The Group's principal activities are:

- the extraction of uranium reserves, and the processing and sale of uranium products;
- the manufacture and sale of beryllium products as well as related research and development activities;
- the manufacture and sale of tantalum products as well as related research and development activities;
- the generation and sale of electricity, heating and water;
- the production and sales of equipment for alternative energy, and;
- the generation and sale of other products and rendering of services for the main production.

The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

In 2011, the Group began development of the production of photovoltaic solar modules. The Group acquired Kvarztz LLP, which is engaged in the production and processing of quartz and MK Kaz Silicon LLP, which is engaged in the production and sale of metallurgical and polycrystalline silicon. The Group also acquired Bergstein Construction LLP / Kazakhstan Solar Silicon LLP, which will be involved in the development of the production of silicon wafers and photovoltaic cells. In December 2011, the Group established a subsidiary Astana Solar LLP for the production of photovoltaic ("PV") modules and electrical systems based on the PV modules.

In December 2012 Astana Solar LLP commenced its operations. Kazakhstan Solar Silicon LLP started works on implementation of technology for the production of improved silicon for use in production on photovoltaic cells is ongoing (B, P and Me).

The Group's products are sold in Kazakhstan and are also exported outside of Kazakhstan.

(b) Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstan's economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation. According to the government's statistical data consumer price inflation for the years ended 31 December 2013 and 2012 was 4.8% and 5.9%, respectively. Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to changes in mineral commodity prices. Those prices fluctuated significantly during 2013 and 2012 including the global market price for uranium, the Group's principal product where prices declined on average 21% in 2013 (2012: 13%).

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business and political environment on the Group's performance and financial position. The actual business environment may differ from management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business for the foreseeable future.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments measured at fair value.

(d) Presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT").

The Tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, defined by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using cross-rates to the US Dollar ("USD" or "US\$") in accordance with the quotations received from Reuters.

The accompanying consolidated financial statements are presented in KZT and all financial information has been rounded to the nearest thousand.

(e) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is a description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on the Group's reported profit and loss and financial position.

(i) Income taxes

The Group is subject to corporate income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, and official pronouncements and court decisions which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. The Group has recognized income tax benefits in the years presented for assets created, but not recognized, in prior years.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base. The existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision because it is expected that the carrying amount will be recovered primarily through use and not through disposal.

Tax assets and liabilities are not recognized in the financial statements if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in transactions (other than business combinations), which do not affect the tax nor the accounting profit.

(ii) Uranium reserves

Uranium reserves are a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves ("GKZ") to interpret geological and exploration data and determine indicated resources (proven reserves) and an estimate of indicated resources (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on a cost effective basis. Uranium reserves are recognized and assessed on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

(iii) Depreciation of mining assets

The Group's mining assets are depreciated over the life of the mine using the unit-of-production method based on uranium reserves. Any changes to the uranium reserves has a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

(iv) Impairment of assets

The Group assesses its tangible fixed assets and definite lived intangible assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding commodity prices, the level of sales, profitability, uranium prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

(v) Control assessment

Management makes periodic assessments of the existence of control over subsidiaries, joint ventures and associates. Significant judgment is required in these assessments.

As described in Note 24, management concluded that the Group lost control over Semizbay-U (which was previously accounted for as a subsidiary) in June 2013.

(vi) Environmental protection and reclamation of mine sites

The Group is subject to a number of environment laws and provision, and based on these establishes a provision for the cost of site restoration. The Group estimates the site restoration costs based on management's understanding of the current legal and contractual requirements. The provision is based on management's estimated of the total cost of restoration and discounted to its net present value and is recorded as expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described below.

(a) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(ii) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(iii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(iv) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

(v) *Investments in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(b) Foreign currency transactions and translation

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

All normal purchases or sales of financial assets are recognized and derecognized on a trade date basis. Normal purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, cash held in bank accounts and demand deposits with original maturity terms of three months or less. Cash and cash equivalents are carried at cost which approximates fair value due to the short term nature thereof.

(ii) Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (“FVTPL”), which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets at FVTPL, “held-to-maturity” investments, “available-for-sale” (“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.

(iii) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

(iv) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

(v) Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as available for sale ("AFS") and are stated at fair value at each reporting period end date. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost less any impairment losses at the end of each reporting period. Fair value is determined in the manner described in Note 4.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in equity with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is reclassified to profit or loss for the year. There were no such gains or losses in either of the years presented.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(vii) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

(xii) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period end date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, and the host contract is not measured at FVTPL.

Embedded derivatives that are accounted for separately are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, embedded derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) Dividends

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

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized in other income or expense in the consolidated statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of production method in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.

The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 - 45 years
- plant and equipment 3 - 5 years
- vehicles 3 - 10 years
- other 3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by GKZ. This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the unit-of-production method based on estimates of proven and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan and detail the total proven reserves and estimated scheduled extraction by year.

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the unit-of-production method based upon proven and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprises of the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the Government and detail the total proven reserves and estimated scheduled extraction by year.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use. All other development expenditure is recognized in the consolidated statement of comprehensive income when incurred.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) Amortization of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- License and patents 4 to 7 years
- Software 3 to 6 years
- Other 2 to 7 years

(i) Exploration and evaluation assets

The Group follows the cost model.

Exploration and evaluation assets comprise the capitalized costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of drilling of pits and directly attributable overheads associated with exploration activities.

Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

(j) Amortization of exploration and evaluation assets

Exploration and evaluation assets in the pilot production period until approval of the feasibility study are not amortized, but are subject to annual data asset (as well as on the results of exploration and evaluation) consideration on impairment with the reflection of the impairment loss (if necessary) under impairment loss of assets. After approval of the feasibility study on exploration and appraisal assets in the tangible and intangible assets are transferred to the cost of preparing for the production and subsoil rights, respectively.

(k) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the Group's accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(l) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(m) Distribution of non-cash assets to Owners

The Group recognises an obligation to distribute assets to its owners (in this case the Shareholder), when the Group has entered into an irrevocable commitment to transfer such assets, for no consideration, to the owners (which involves, amongst other things, authorization by the owners of the Company) and the amount of the liability can be reliably measured. When the liability is recognised, the Company also recognises a distribution to owners in the consolidated statement of changes in equity.

(n) Impairment

(i) Financial assets

Financial assets, other than those at FVTPL, are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the statement of comprehensive income.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income. The reversal is recognized to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(f) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Site restoration

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and the terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused through the end of the reporting period and discounting these cash flows to their present value. Actual costs to be incurred may differ significantly from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When additional, unprovided costs are identified based upon new information, laws or other significant changes in the underlying calculation, the provision is re-calculated.

(g) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(h) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier, Delivered Duty Unpaid, Free-On-Board and Cost, Insurance and Freight.

Revenue from the sale of public utilities (energy, water and other public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(ii) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(i) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as grants on the consolidated statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the consolidated statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(j) Financial income and expenses

Financial income comprises interest income on funds invested (including AFS financial assets), dividend income, changes in fair value of financial assets/liabilities at FVTPL, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at FVTPL and impairment losses recognized on financial assets.

Borrowing costs include exchange differences arising on foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the consolidated statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

(k) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Liabilities are recognized for taxable temporary differences arising on investments in associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are 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. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. Advances are required to be made monthly, by making equal payments to budget. The tax return is filed on 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(I) Adoption of new and revised standards

Standards adopted with no material effect on the consolidated financial statements

New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising:

IFRS 10 *Consolidated Financial Statements*;
IFRS 11 *Joint Arrangements*;
IFRS 12 *Disclosure of Interests in Other Entities*;
IAS 27 (as revised in 2011) *Separate Financial Statements*; and
IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

The application of IFRS 10 has not had a material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of IFRS 11

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, IAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

The application of IFRS 11 has not had a material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or consolidated structured entities. The application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see Notes 7, 23, and 24).

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**Amendments to IAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)**

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied a number of new and revised IFRSs (see the discussion above) and the related consequential amendments for the first time. The application of these standards has not materially affected the statement of financial position of the Group. Accordingly, presentation of a third statement of financial position is not required to be presented.

New and revised IFRSs in issue but not yet effective

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

IFRS 9	<i>Financial Instruments</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Impairment of assets</i>
IFRIC 21	<i>Levies</i>
Amendments to IAS 36	<i>FI: recognition and measurement</i>

The Group does not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The Group expects that the application of IFRS 9 in the future may have an impact on the amounts reported in respect to the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review is completed.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current portion of trade and other receivables are carried at cost less a provision of doubtful debts, and approximates fair value due to the short-term nature thereof.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

(a) Reclassifications

In order to better reflect the nature of the Group's assets and liabilities, the Group reclassified certain items in the consolidated statement of financial position. The Group has not changed its accounting policy for any of the underlying assets and liabilities, besides the adoption of accounting standards described in Note 3. Rather, these reclassifications only change how various accounts are aggregated for presentation purposes on the statement of financial position.

b) Effect of changes

	31.12.2012 (according to audited FS)	Reclassification	31.12.2012 (reclassified)
	KZT'000	KZT'000	KZT'000
<i>Effect on changes</i>			
ASSETS			
Non-current assets			
Other assets	29,130,950	14,742,501	43,873,451
Accounts receivable	-	6,832	6,832
Inventory	8,765,218	(8,765,218)	-
Restricted cash	5,984,115	(5,984,115)	-
Total non-current assets reclassified	43,880,283	-	43,880,283
Current assets			
Accounts receivable	80,549,261	81,144	80,630,405
VAT recoverable	-	25,658,253	25,658,253
Long-term assets held for sale	-	772,758	772,758
Other current assets	32,260,100	(26,512,155)	5,747,945
Total current assets reclassified	112,809,361	-	112,809,361
LIABILITIES			
Non-current liabilities			
Other liabilities	-	5,053,495	5,053,495
Advances received and other payables	1,786,001	(1,786,001)	-
Other financial liabilities	2,474,691	(2,474,691)	-
Bonds	264,827	(264,827)	-
Grants	378,331	(378,331)	-
Accrued liabilities	149,645	(149,645)	-
Total non-current liabilities reclassified	5,053,495	-	5,053,495
Current liabilities			
Other financial liabilities	47,086,712	(410,354)	46,676,358
Other liabilities	24,679,573	(3,404,870)	21,274,703
Accounts payable	49,567,880	565,655	50,133,535
Income tax liabilities	-	164,092	164,092
Accrued liabilities	3,352,225	(3,352,225)	-
Grants	23,552	(23,552)	-
Liabilities for other taxes and mandatory payments	-	6,461,254	6,461,254
Total current liabilities reclassified	124,709,942	-	124,709,942

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

6. SEGMENT INFORMATION

The Group, using information regularly reviewed by the chief operating decision maker, and which is used to make decisions about the allocation of financial resources and the assessment of segment performance. The Group has six reportable segments, in accordance with IFRS 8 as follows:

Uranium products	- The production of uranium, and the processing and sale of uranium products. The manufacture and sale of beryllium products as well as related research and
Beryllium products	- development activities. The manufacture and sale of tantalum products as well as related research and
Tantalum products	- development activities.
Utilities	- The generation and sale of electricity, heating and water.
Equipment for alternative energy	- The production and sale of equipment for alternative energy. The generation and sale of other products and rendering of services for the
Other	- main production.

Information regarding the Group's reportable segments is presented below. Inter-segment sales are charged at prevailing market prices. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief operating decision maker to allocate resources and assess segment performance.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2013:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	189,874,200	7,707,505	13,742,569	39,342,596	1,256,772	36,359,133	-	288,282,775
Inter-segment sales	-	-	-	-	-	28,086,845	(28,086,845)	-
Total revenue	<u>189,874,200</u>	<u>7,707,505</u>	<u>13,742,569</u>	<u>39,342,596</u>	<u>1,256,772</u>	<u>64,445,978</u>	<u>(28,086,845)</u>	<u>288,282,775</u>
Segment profit	<u>42,747,400</u>	<u>772,224</u>	<u>1,270,670</u>	<u>5,775,453</u>	<u>(151,192)</u>	<u>11,051,096</u>	<u>(3,087,381)</u>	<u>58,378,270</u>
Distribution expenses								(3,959,934)
Administrative expenses								(29,301,780)
Financial income								4,602,902
Recovery of written off receivables								881,519
Impairment losses								(20,850,953)
Gain on extinguishment of liability and deconsolidation of subsidiary (Semizbay- U)								23,929,927
Financial expense								(8,246,860)
Foreign exchange loss								(1,954,252)
Share of profit of associates								13,527,853
Share of profit of jointly controlled entities								10,123,452
Other income								2,970,657
Other expense								(6,293,577)
Profit before income tax								<u>43,807,224</u>

Eliminations represent inter-segment transactions.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2013

The following is an analysis of the Group's revenue and results by reportable segment in 2012:

	Uranium products	Beryllium	Tantalum	Utilities	Equipment for alternative energy	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	235,306,985	7,956,613	10,370,976	34,062,479	706,093	33,342,918	-	321,746,064
Inter-segment sales	-	-	-	-	-	28,105,501	(28,105,501)	-
Total revenue	235,306,985	7,956,613	10,370,976	34,062,479	706,093	61,448,419	(28,105,501)	321,746,064
Segment profit	64,466,256	843,800	1,416,421	3,758,594	(646,764)	11,310,753	(3,309,920)	77,839,140
Distribution expenses								(3,590,108)
Administrative expenses								(24,416,043)
Financial income								3,820,825
Recovery of written off receivable								72,699
Impairment losses								(3,497,240)
Financial expense								(13,046,433)
Foreign exchange losses								(2,745,934)
Share of profit of associates								19,444,689
Share of profit of jointly controlled entities								12,925,516
Other income								422,714
Other expenses								(4,953,762)
Profit before income tax								62,276,063

Eliminations represent inter-segment transactions.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

To monitor segment performance and allocate resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and deferred tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

(a) Segment assets

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Uranium products	305,293,369	349,068,578
Beryllium	6,644,232	5,210,888
Tantalum	10,932,872	8,747,109
Utilities	28,169,493	25,352,874
Equipment for alternative energy	37,607,202	27,335,607
Other	34,478,604	39,474,468
Eliminations	<u>(67,005,763)</u>	<u>(31,422,592)</u>
Total segment assets	356,120,009	423,766,932
Unallocated assets	<u>247,627,391</u>	<u>233,367,440</u>
Consolidated assets	<u>603,747,400</u>	<u>657,134,372</u>

(b) Segment liabilities

	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Uranium products	86,564,148	134,996,837
Beryllium	684,407	412,071
Tantalum	1,126,171	691,712
Utilities	8,199,018	7,002,573
Equipment for alternative energy	7,027,973	7,751,676
Other	2,710,773	7,437,457
Eliminations	<u>(39,568,340)</u>	<u>7,112,115</u>
Total segment liabilities	66,744,150	165,404,441
Unallocated liabilities	<u>130,212,240</u>	<u>114,373,700</u>
Consolidated liabilities	<u>196,956,390</u>	<u>279,778,141</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

(c) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2013	2012
	'000 KZT	'000 KZT
Kazakhstan	76,432,197	66,784,846
China	72,240,658	113,957,846
United States of America	54,519,613	25,308,680
France	31,389,310	32,890,692
Japan	25,114,314	25,269,680
Russia	10,749,562	13,559,861
South Korea	7,759,005	12,558,997
Switzerland	6,883,751	5,776,308
Germany	1,817,041	6,090,565
Austria	781,287	258,881
India	12,848	17,916,448
Belgium	-	1,289,416
Other	583,199	83,844
	288,282,775	321,746,064

(d) Other segment information

The depreciation of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortisation of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2013	2012
	'000 KZT	'000 KZT
Uranium products	15,991,582	16,646,736
Utilities	2,381,891	2,327,461
Tantalum	345,055	280,070
Equipment for alternative energy	275,346	260,292
Beryllium	209,700	166,845
Other	1,663,964	1,479,998
	20,867,538	21,161,402

The portion of the above depreciation and amortisation included in the cost of sales is detailed below:

	Depreciation and amortization	
	2013	2012
	'000 KZT	'000 KZT
Uranium products	16,170,012	16,326,605
Utilities	2,095,103	2,123,746
Tantalum	236,257	178,443
Beryllium	143,581	106,303
Equipment for alternative energy	175,150	115,175
Other	1,361,853	1,138,168
Elimination	(2,503,211)	(1,671,350)
	17,678,745	18,317,090

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

In addition to the depreciation and amortisation reported above, the Group recognised impairment losses.

The total impairments recognized by the Group during 2013 and 2012 were as follows:

	Note	2013 '000 KZT	2012 '000 KZT
Goodwill impairment	18	4,944,549	-
Property, plant and equipment	19	3,433,719	2,622,507
Mineral rights	21	5,840,541	-
Non recoverable VAT		4,393,635	-
Other		2,238,509	874,733
		20,850,953	3,497,240

From these impairment losses were attributable to the following reportable segments:

	Impairment	
	2013 '000 KZT	2012 '000 KZT
Uranium products	5,006,533	511,409
Equipment for alternative energy	7,794,704	585,960
Tantalum	21,203	26,202
Beryllium	12,886	15,609
Other	936,575	2,429,551
	13,771,901	3,568,731
	Additions to non-current assets	
	2013	2012
	'000 KZT	'000 KZT
Uranium products	32,840,516	17,150,102
Equipment for alternative energy	9,344,266	19,193,015
Utilities	7,152,946	3,111,514
Tantalum	385,498	409,707
Beryllium	234,278	244,074
Other	4,469,913	11,085,456
	54,427,417	51,193,868

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

7. BUSINESS ACQUISITIONS, INVESTMENT DISPOSALS AND NON CONTROLLING INTERESTS

These consolidated financial statements include the following subsidiaries:

	Country of incorporation	Main activity	31.12.2013 Ownership/ Voting	31.12.2012 Ownership/ Voting
MAEK-Kazatomprom LLP	Kazakhstan	production, transfer and sales of electric and heat energy, production and sales drinking, technical and distilled water, transit of sea water gas transportation	100%	100%
Gornorudnaya Company LLP	Kazakhstan	exploration, extraction and initial processing of uranium-containing ores	100%	100%
Kazatomprom - Demeu LLP	Kazakhstan	social sphere services, organization of construction and exploitation of social sphere objects in subsoil use regions	90%	90%
Bailanys NAC LLP	Kazakhstan	communication services	100%	100%
Korgan KAP LLP	Kazakhstan	security services	100%	100%
Appak LLP	Kazakhstan	exploration, extraction and initial processing of uranium-containing ores	65%	65%
Semizbay-U LLP (Note 39)	Kazakhstan	exploration, extraction, storage, transportation and processing of uranium	-	51%
Ulba Metallurgical Plant JSC	Kazakhstan	production and processing of uranium materials, production of less-common metals and semiconductor materials	90%	90%
Volkovgeology JSC	Kazakhstan	production and research of uranium mines, drilling works, monitoring of radioactivity level and ecological conditions	90%	90%
Institute of High Technologies LLP	Kazakhstan	research, project, development and engineering consulting services	100%	100%
Kyzyltu LLP	Kazakhstan	exploration, extraction and processing of molybdenum-copper ores with uranium content	76%	76%
JV SARECO LLP	Kazakhstan	ore beneficiation, hydro-metallurgical production of rare metals concentrates, chemical production of rare metals	51%	51%
Ecoenergomash LLP	Kazakhstan	production of wind-driven power, plants and complex energy systems for supply of autonomy objects on the basis of renewable energy sources	100%	100%
Kvarz LLP	Kazakhstan	silicon production	-	100%
MK KazSilicon LLP	Kazakhstan	production and sales of metallurgical silicon, reprocessing of scraps of silicon production	100%	100%
Bergstein Construction LLP / Kazakhstan Solar Silicon LLP	Kazakhstan	production of silicon of solar quality, silicon cells and photovoltaic cells	100%	100%
Astana Solar LLP	Kazakhstan	production of silicon of solar quality, silicon slices and photovoltaic slices and photovoltaic modules	100%	100%
JV KT Raremetals company LLP	Kazakhstan	project feasibility works for exploration of rare metals	51%	51%
DP Ortalyk LLP	Kazakhstan	exploration services, reprocessing to chemical concentrate of uranium and mining development works	100%	100%
Kazakhstan Nuclear University LLP	Kazakhstan	education services	100%	100%

JV SARECO LLP

In 2012, SARECO LLP partners made additional contributions to charter capital of KZT 2,940,000 thousand. Their contributions were proportionate to their ownership interests, and consequently no change in ownership interests arose as a consequence of this contribution.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Kazakhstan Solar Silicon LLP

In 2013, the Company made an additional contribution to the entity's charter capital of KZT 5,353,000 thousand.

In 2012 the entity changed its name to Kazakhstan Solar Silicon LLP from Bergstein Construction LLP.

Kvarz LLP and MK Kaz Silicon LLP

In 2013, Kvarz LLP merged with MK Kaz Silicon LLP. Furthermore, in 2013, the Company made an additional charter capital contribution of KZT 900,000 thousand to MK Kaz Silicon LLP.

Astana Solar LLP

In 2013, the Company made an additional contribution to Astana Solar LLP charter capital of KZT 2,262,280 thousand. (2012: KZT 2,132,846 thousand).

Bailanys NAC LLP

In 2013, the Company made an additional contribution to Bailanys NAC LLP charter capital of KZT 1,618,259 thousand (2012 : KZT 1,656,000 thousand).

MAEK Kazatomprom LLP

In 2013, the Company made an additional contribution to MAEK Kazatomprom LLP charter capital of KZT 1,263,581 thousand.

Semizbay-U LLP

Management concluded that the Group lost control of Semizbay-U LLP during 2013 and that this entity became a jointly controlled entity with effect from 30 June 2013 (Note 39).

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/13	31/12/12	31/12/13	31/12/12	31/12/13	31/12/12
JSC Ulba Metallurgical Plant	Kazakhstan	10%	10%	33,946	271,085	4,793,456	4,764,331
APPAK LLP	Kazakhstan	35%	35%	961,360	872,561	3,246,412	2,285,053
Individually immaterial subsidiaries with non-controlling interests						4,412,589	4,862,641
Total						12,452,457	11,912,025

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	JSC Ulba Metallurgical Plant		APPAK LLP	
	2013	2012	2013	2012
Current assets	24,949,406	20,460,400	7,463,701	10,818,445
Non-current assets	35,059,356	36,014,334	14,540,624	15,401,830
Current liabilities	(2,320,173)	(2,135,801)	(5,723,349)	(7,664,286)
Non-current liabilities	(5,625,085)	(3,319,020)	(7,009,760)	(12,203,494)
Equity attributable to the Group	47,270,048	46,255,582	6,024,804	4,067,442
Non-controlling interests	4,793,456	4,764,331	3,246,412	2,285,053
	2013	2012	2013	2012
Revenue	32,854,811	31,381,015	18,367,335	16,938,024
Expenses	(31,542,916)	(28,618,790)	(15,448,614)	(14,616,971)
Profit for the year	1,311,895	2,762,225	2,918,721	2,321,053
Profit attributable to owners of the Company	1,277,949	2,491,140	1,957,361	1,448,492
Profit attributable to the non-controlling interests	33,946	271,085	961,360	872,561
Profit for the year	1,311,895	2,762,225	2,918,721	2,321,053
Other comprehensive income attributable to owners of the Company	12,740	23,113	-	-
Other comprehensive income attributable to the non-controlling interests	1,386	2,515	-	-
Other comprehensive income for the year	14,126	25,628	-	-
Total comprehensive income attributable to owners of the Company	1,290,689	2,514,253	1,957,361	1,448,492
Total comprehensive income attributable to the non-controlling interests	35,332	273,600	961,360	872,561
Total comprehensive income for the year	1,326,021	2,787,853	2,918,721	2,321,053
Dividends paid to non-controlling interests	-	-	-	-
Net cash inflow (outflow) from:				
- operating activities	(651,617)	2,687,774	5,088,948	6,637,140
- investing activities	1,972,460	(1,747,916)	(1,389,598)	(1,562,368)
- financing activities	(276,223)	(169,296)	(5,758,715)	(5,277,805)
Net cash inflow/(outflow)	1,044,620	770,562	2,059,365	(203,033)

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

8. REVENUE

	2013	2012
	'000 KZT	'000 KZT
Sales of uranium	189,874,200	235,306,985
Sales of energy products	37,309,947	34,062,479
Sales of tantalum	13,742,569	10,370,976
Drilling services	13,005,974	13,349,913
Processing services	9,083,062	7,794,390
Sales of beryllium	7,707,505	7,956,613
Sales of purchased goods	6,459,619	1,854,253
Transportation services	5,665,865	6,693,517
Sales of metallurgical silicon	572,947	-
Sales of photovoltaic cells	529,622	-
Research and development services	83,765	149,670
Other	4,247,700	4,207,268
	<u>288,282,775</u>	<u>321,746,064</u>

9. COST OF SALES

	2013	2012
	'000 KZT	'000 KZT
Materials and supplies	136,850,297	151,887,823
Wages and salaries	27,763,178	26,339,270
Processing and other services	26,912,001	26,772,259
Depreciation and amortization	17,678,745	18,382,644
Taxes other than income tax	13,838,508	13,487,058
Maintenance and repair	2,879,754	2,616,552
Utilities	1,849,130	1,367,706
Transportation expenses	625,420	256,747
Rent expenses	413,850	393,274
Research and development	183,445	113,421
Other	910,177	2,290,170
	<u>229,904,505</u>	<u>243,906,924</u>

10. DISTRIBUTION EXPENSES

	2013	2012
	'000 KZT	'000 KZT
Shipping, transportation and storing	2,149,158	1,841,609
Wages and salaries	735,484	709,716
Commissions	345,069	349,205
Materials and suppliers	227,293	173,108
Rent	176,130	177,007
Other	326,800	339,463
	<u>3,959,934</u>	<u>3,590,108</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

11. ADMINISTRATIVE EXPENSES

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Wages and salaries	13,241,259	13,208,370
Tax fines and penalties	3,789,276	-
Research expenses	1,556,776	1,452,822
Provision for doubtful debts	1,463,932	-
Retirement benefit costs	1,432,332	-
Consulting, auditing and information services	1,231,997	2,113,436
Depreciation and amortization	978,236	926,309
Rent	799,233	936,677
Taxes other than income tax	713,766	1,606,904
Travel	518,281	487,750
Materials and suppliers	451,963	454,916
Maintenance and repair	337,858	325,350
Communication	311,959	296,113
Training expenses	279,385	391,274
Bank charges	201,994	210,462
Corporate events	187,236	93,643
Utilities	157,029	128,951
Stationary	95,991	106,205
Insurance	91,603	61,502
Entertainment expenses	48,427	41,440
Security	24,971	70,015
Other	1,388,276	1,503,904
	<u>29,301,780</u>	<u>24,416,043</u>

12. FINANCIAL INCOME AND EXPENSE

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
<i>Financial income</i>		
Interest income on term deposits, deposits on demand and current accounts	2,030,689	1,954,767
Dividend income	1,267,508	1,596,623
Gain from revaluation of financial liabilities	534,870	-
Gain from revaluation of financial assets	196,824	-
Other	573,011	269,435
	<u>4,602,902</u>	<u>3,820,825</u>
<i>Financial expense</i>		
Interest expense on loans and borrowings	6,732,420	6,633,835
Unwinding of discount on provisions	733,510	701,924
Unwinding of discount on other financial liabilities	274,417	5,098,781
Loss on sales in foreign currency	66,851	115,790
Preference share dividend expense	52,965	52,965
Other	386,697	443,138
	<u>8,246,860</u>	<u>13,046,433</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13. OTHER INCOME

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Gain on disposal of non-current assets	1,470,490	-
Property received free of charge and excess	670,809	253,975
Fines and penalties	628,801	121,075
Other	200,557	47,664
	<u><u>2,970,657</u></u>	<u><u>422,714</u></u>

14. OTHER EXPENSES

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Unrecoverable value added tax ("VAT")	1,727,719	229,635
Sponsorship and charitable donations	1,506,400	685,741
Social sphere expenses	1,051,540	2,041,760
Loss on suspension of production	325,242	315,558
Loss on disposal of non-current assets	-	867,268
Other	1,682,676	813,800
	<u><u>6,293,577</u></u>	<u><u>4,953,762</u></u>

15. PERSONNEL COSTS

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Wages and salaries	47,439,252	44,202,243
Social tax and social contributions	4,389,133	4,223,165
	<u><u>51,828,385</u></u>	<u><u>48,425,408</u></u>

16. INCOME TAX EXPENSE

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
<i>Current tax expense</i>		
Current year	5,629,825	11,665,737
Under provided in prior years	2,052,607	216,401
	<u><u>7,682,432</u></u>	<u><u>11,882,138</u></u>
<i>Deferred tax benefit</i>		
Origination and reversal of temporary differences	(407,070)	(1,603,099)
	<u><u>7,275,362</u></u>	<u><u>10,279,039</u></u>

The companies based in Kazakhstan are subject to income tax on taxable profit as determined under Kazakhstan law. The income tax rate was 20% in both 2012 and 2013.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

Reconciliation of effective tax rate:

	2013 '000 KZT	2012 '000 KZT
Profit before income tax	43,807,224	62,276,063
Income tax at applicable tax rate	8,761,445	12,455,213
Tax effect of:		
Non-taxable income	(2,007,216)	(517,813)
Non-deductible expenses	1,540,338	2,380,754
Transfer pricing adjustment	430,038	1,869,507
Elimination of margin in finished goods	(16,093)	634,639
Tax on share of results of associates	(2,705,571)	(3,888,938)
Tax on share of results of jointly controlled entities	(2,024,690)	(2,585,103)
Utilization of tax losses not recognized in prior periods	(57,268)	(539,407)
Current year losses for which no deferred tax asset is recognized	1,301,772	253,786
Under provided in prior years	2,052,607	216,401
Income tax expense for the year	7,275,362	10,279,039

17. EARNINGS PER SHARE

Basic and diluted earnings per share:

	2013 KZT	2012 KZT
Basic and diluted earnings per share	979	1,388

During 2013 and 2012, the Group had no potentially dilutive shares in issue.

The profit for the year attributable to owners of the Company and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	2013 '000 KZT	2012 '000 KZT
Profit for the year attributable to owners of the Company	35,903,872	50,914,945
Earnings used in the calculation of the total basic and diluted earnings per share	35,903,872	50,914,945
	2013 '000 KZT	2012 '000 KZT
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,362	36,692,362

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

18. INTANGIBLE ASSETS

'000 KZT	Licenses and patents	Software	Goodwill	Other	Total
At 1 January 2012	69,080	531,615	10,696,216	1,349,912	12,646,823
Additions	9,555	350,606	-	187,248	547,409
Disposals	(20,069)	(34,226)	(585,960)	(6,726)	(646,981)
At 31 December 2012	58,566	847,995	10,110,256	1,530,434	12,547,251
At 1 January 2013	58,566	847,995	10,110,256	1,530,434	12,547,251
Additions	920	414,086	-	5,578	420,584
Disposal of subsidiary	-	(16,166)	-	-	(16,166)
Disposals	(94)	(42,470)	-	(48,098)	(90,662)
At 31 December 2013	59,392	1,203,445	10,110,256	1,487,914	12,861,007
<i>Accumulated amortization</i>					
At 1 January 2012	24,658	219,132	-	70,708	314,498
Amortization charge	9,517	108,493	-	120,416	238,426
Disposals	(669)	(31,977)	-	-	(32,646)
At 31 December 2012	33,506	295,648	-	191,124	520,278
At 1 January 2013	33,506	295,648	-	191,124	520,278
Amortization charge	7,865	152,068	-	104,893	264,826
Impairment	-	-	4,944,549	-	4,944,549
Disposals	(94)	(37,529)	-	(36,976)	(74,599)
At 31 December 2013	41,277	410,187	4,944,549	259,041	5,655,054
<i>Net book value</i>					
As at 31 December 2012	25,060	552,347	10,110,256	1,339,310	12,026,973
As at 31 December 2013	18,115	793,258	5,165,707	1,228,873	7,205,953

Impairment test for goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The following is a summary of goodwill allocated to cash-generating unit:

	At 1 January 2012	Disposals	Impairment	At 31 December 2012
Uranium production	10,110,256	-	-	10,110,256
Quartz production	585,960	(585,960)	-	-
	10,696,216	(585,960)	-	10,110,256
	At 1 January 2013	Disposals	Impairment	At 31 December 2013
Uranium production	10,110,256	-	(4,944,549)	5,165,707
	10,110,256	-	(4,944,549)	5,165,707

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

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

The recoverable amounts of the cash-generating units are determined from value in use calculations. The value in use of cash generating units is determined based on the volume of proven reserves, expected future cash flows based on the size of the estimated volume of production in the field on the basis of a life of mine development approved by management, and the discount rate was 12.08% per annum (2012: 7% per annum).

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period.

Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

Production volumes are agreed with the government approved strategies, and are based on the production capacity of the cash generating unit taking into account future acquisitions of assets and cash outflows from investments. The long-term growth rates in the range of 2% to 5.2% (2012: 3%), is based on macro-economic and industry forecasts obtained from Global Insight. Prices utilized in developing the forecasted cash flows are determined using an independent official source "Ux consulting LLC" published in the fourth quarter of 2013.

As of the December 31, 2012, the fair value of goodwill was in excess of book value. During 2013 the market prices of uranium fall significantly, which led to decreased forecasted cash flows. These changes in market conditions led to the recognition of impairment losses. During the year the Group recognized an impairment loss of goodwill in the amount of KZT 4,944,549 thousand in the consolidated statement of comprehensive income as at 31 December 2013.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

19. PROPERTY, PLANT AND EQUIPMENT

'000 KZT	Land	Buildings	Machines and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2012	250,748	64,269,141	52,478,479	8,629,245	3,397,696	9,378,313	138,403,622
Additions	13,708	786,388	6,194,227	3,592,073	365,348	27,425,583	38,377,327
Transfers	-	111,323	2,279,422	17,221	30,724	(2,438,690)	-
Transfers to mine development assets (Note 20)	-	-	-	-	-	(788,620)	(788,620)
Disposals	(1,546)	(871,032)	(776,309)	(120,934)	(161,945)	(887,472)	(2,819,238)
At 31 December 2012	262,910	64,295,820	60,175,819	12,117,605	3,631,823	32,689,114	173,173,091
At 1 January 2013	262,910	64,295,820	60,175,819	12,117,605	3,631,823	32,689,114	173,173,091
Additions	76,382	1,450,131	3,640,777	1,042,678	418,429	33,895,565	40,523,962
Transfers	606	18,537,911	4,345,212	599,235	40,153	(23,523,117)	-
Disposal of subsidiaries	(307)	(7,256,363)	(3,729,730)	(433,410)	(98,820)	(640,803)	(12,159,433)
Transfers to mine development assets (Note 20)	-	-	-	-	-	(10,700)	(10,700)
Transfers to assets for sale	(5,226)	(98,401)	(18,113)	-	(5,838)	-	(127,578)
Disposals	(16,204)	(2,531,005)	(2,937,018)	(520,406)	(273,457)	(689,033)	(6,967,123)
At 31 December 2013	318,161	74,398,093	61,476,947	12,805,702	3,712,290	41,721,026	194,432,219
<i>Accumulated depreciation and impairment losses</i>							
At 1 January 2012	-	11,851,594	19,782,679	3,490,457	1,414,941	734,779	37,274,450
Depreciation expense	-	3,049,814	6,163,275	1,295,659	385,965	-	10,894,713
Disposals	-	(329,019)	(700,890)	(84,392)	(137,636)	(28,116)	(1,280,053)
Impairment loss and reversal of impairment losses recognised in previous periods	-	984,591	3,100	(2,757)	21,823	1,615,750	2,622,507
At 31 December 2012	-	15,556,980	25,248,164	4,698,967	1,685,093	2,322,413	49,511,617
At 1 January 2013	-	15,556,980	25,248,164	4,698,967	1,685,093	2,322,413	49,511,617
Depreciation expense	-	2,869,462	5,763,909	1,231,659	374,718	-	10,239,748
Disposals	-	(1,328,971)	(2,231,628)	(482,459)	(228,000)	-	(4,271,058)
Impairment loss and reversal of impairment losses recognised in previous periods	-	984,351	457,095	(7)	20,815	1,971,465	3,433,719
Impairment on disposed assets	-	(784,071)	(43,559)	-	(26,679)	(483,046)	(1,337,355)
At 31 December 2013	-	17,297,751	29,193,981	5,448,160	1,825,947	3,810,832	57,576,671
<i>Net book value</i>							
At 31 December 2012	262,910	48,738,840	34,927,655	7,418,638	1,946,730	30,366,701	123,661,474
At 31 December 2013	318,161	57,100,342	32,282,966	7,357,542	1,886,343	37,910,194	136,855,548

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(a) Impairments

During 2013, the market prices for uranium fell significantly. As a result, the Group carried out a review of the recoverable amount of its property, plant and equipment, which led to recognition of an impairment loss attributable to property, plant and equipment of KZT 3,433,719 thousand during the year ended 31 December 2013 (2012: KZT 2,622,507 thousand) recognized in the statement of comprehensive income.

(b) Depreciation expense

Depreciation expense of KZT 9,375,965 thousand (2012: KZT 10,044,340 thousand) has been charged to cost of sales, KZT 51,938 thousand (2012: KZT 49,138 thousand) to distribution expenses and KZT 811,845 thousand (2012: KZT 801,235 thousand) to administrative expense.

(c) Borrowing costs

Borrowing costs capitalized in the reporting periods were as follows:

	<u>2013</u> <u>'000 KZT</u>	<u>2012</u> <u>'000 KZT</u>
Capitalized borrowing costs	644,346	163,585

The weighted-average capitalization rate was 7.37% in 2013 (2012: 3.15%).

(d) Construction in progress

Construction in progress consists of construction of assets and capital improvements of existing property, plant and equipment. In 2013, the significant increase is related to repair and construction of road, the construction of a new mine, and the construction of new factory.

(e) Fully depreciated property plant and equipment

As at 31 December 2013, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 6,948,629 thousand (2012: KZT 5,185,565 thousand).

(a) Commitments

As at 31 December 2013, commitments relating to the acquisition of property, plant and equipment were KZT 840,658 thousand (2012: KZT 12,354,562 thousand).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

20. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Site restoration asset	Ion-exchange resin	Total
<i>Cost</i>				
At 1 January 2012	47,321,233	6,248,662	3,316,616	56,886,511
Additions	9,716,453	114,997	457,580	10,289,030
Change in estimate	-	385,049	-	385,049
Transfer from exploration and evaluation assets (Note 22)	357,607	-	-	357,607
Disposal	(21,607)	(51)	-	(21,658)
Transfer from property, plant and equipment (Note 19)	788,620	-	-	788,620
At 31 December 2012	58,162,306	6,748,657	3,774,196	68,685,159
At 1 January 2013	58,162,306	6,748,657	3,774,196	68,685,159
Additions	10,751,636	-	610,082	11,361,718
Change in estimate	-	3,067,927	-	3,067,927
Loss of control of subsidiary (Note 39)	(12,872,192)	(648,128)	(895,505)	(14,415,825)
Disposal	(15,475)	(153)	-	(15,628)
Transfer from property, plant and equipment (Note 19)	10,700	-	-	10,700
At 31 December 2013	56,036,975	9,168,303	3,488,773	68,694,051
Accumulated depreciation and impairment loss				
At 1 January 2012	20,669,733	370,487	761,014	21,801,234
Depreciation expense	9,345,307	333,882	264,028	9,943,217
Disposal	(21,607)	(51)	-	(21,658)
At 31 December 2012	29,993,433	704,318	1,025,042	31,722,793
At 1 January 2013	29,993,433	704,318	1,025,042	31,722,793
Depreciation expense	9,113,289	412,964	313,091	9,839,344
Loss of control of subsidiary (Note 39)	(6,344,918)	(57,611)	(168,704)	(6,571,233)
Disposal of impairment	(15,475)	(153)	-	(15,628)
At 31 December 2013	32,746,329	1,059,518	1,169,429	34,975,276
<i>Net book value</i>				
At 31 December 2012	28,168,873	6,044,339	2,749,154	36,962,366
At 31 December 2013	23,290,646	8,108,785	2,319,344	33,718,775

The site restoration assets relate to the Group's provisions for site restoration costs for each field operated by the group. The carrying value of the site restoration assets is re-evaluated each reporting period for changes in the estimated remediation costs. See Note 36 for additional detail.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

21. MINERAL RIGHTS

‘000 KZT	Total
<i>Cost</i>	
At 1 January 2012	8,531,319
Additions	22,288
Disposal	(518)
Transfer from intangible assets (Note 18)	19,400
At 31 December 2012	8,572,489
Additions	941,787
Loss of control of subsidiary	(666,823)
Disposals	(426)
At 31 December 2013	8,847,027
<i>Amortization and impairment losses</i>	
At 1 January 2012	205,259
Depreciation charge	92,486
Disposal	(518)
At 31 December 2012	297,227
Accumulated depreciation	113,038
Impairment loss	5,840,541
Disposal	(114,049)
At 31 December 2013	6,136,757
<i>Net book value</i>	
At 31 December 2012	8,275,262
At 31 December 2013	2,710,270

The Group recorded impairment losses attributable to mineral right of MK KazSilicon LLP of KZT 5,840,541 thousand during the year ended 31 December 2013 (2012: nil).

The recoverable amounts of the mineral rights are determined from value in use calculations. The value in use of cash generating units is determined based on the volume of proven reserves, expected future cash flows based on the size of the estimated volume of production in the field on the basis of a life of mine development approved by management and the discount rate was 17.20% per annum.

22. EXPLORATION AND EVALUATION ASSETS

	Tangible assets ‘000 KZT	Intangible assets ‘000 KZT	Total ‘000 KZT
<i>Cost</i>			
At 1 January 2012	2,122,595	575,593	2,698,188
Additions	1,135,718	700,757	1,836,475
Impairment	(433,867)	(497)	(434,364)
Transfer to mine development assets (Note 20)	(357,607)	-	(357,607)
At 31 December 2012	2,466,839	1,275,853	3,742,692
At 1 January 2013	2,466,839	1,275,853	3,742,692
Additions	2,341,073	454	2,341,527
Change in accounting estimate	-	(17,598)	(17,598)
At 31 December 2013	4,807,912	1,258,709	6,066,621

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

23. INVESTMENTS IN ASSOCIATES

Details of each of the Group's associates at the end of the reporting period are as follows:

	Country	Principal activity	31.12.2013		31.12.2012	
			Ownership/ voting	Carrying value '000 KZT	Ownership/ voting	Carrying value '000 KZT
JV Betpak Dala LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	30%	12,985,724	30%	15,262,789
JV KATCO LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	49%	42,757,376	49%	38,262,088
JV Inkai LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	40%	14,347,080	40%	12,171,185
JSC Kaustik	Kazakhstan	delivery of caustic soda	40%	5,842,171	-	-
Kyzylkum LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	30%	4,785,776	30%	3,459,452
Uranenergo LLP	Kazakhstan	transfer, reprocessing of electric energy	54.39%	2,762,874	45.59%	4,897,488
JV Zarechnoe JSC	Kazakhstan	extraction, reprocessing and export of finished uranium products	49.67%	1,951,896	49.67%	2,477,560
JV SKZ Kazatompr om LLP	Kazakhstan	production of sulfuric acid	24.5%	566,934	24.5%	607,149
JV Rosburmas h LLP	Kazakhstan	geological exploration	49%	219,971	49%	200,379
NPK Ulba LLP	Kazakhstan	projection of pipelines and networks	33%	63,348	33%	55,267
Kazgeomash LLP	Kazakhstan	pipes production	49%	47,651	49%	44,125
SKZ - U LLP	Kazakhstan	production of sulfuric acid	49%	-	49%	3,163,172
JV IFASTAR	France	project feasibility study	49%	6,137	49%	11,324
				86,336,938		80,611,978

All of the above associates are accounted for using the equity method in these consolidated financial statements.

In January 2012 Kazgeomash LLP was established as an associate with the Company and another party. The Company acquired a 49% interest and contributed to the charter capital of the partnership in the amount of KZT 14,700 thousand. The main activity is manufacturing of pipes.

In April 2013, members of Kyzylkum LLP made an additional contribution to the partnership's charter capital of KZT 4,470,000 thousand (2012: 5,800,000 thousand), including the Company – of KZT 1,341,000 thousand (2012: 1,740,000 thousand). The contributions are proportionate to their equity, respectively; no change in ownership arose as a result of this contribution.

In 2013 the Group made an additional contribution to the charter capital of Uranenergo LLP for KZT 2,508,562 thousand (2012: 761,627), as a result of the contribution ownership has been increased to 54.39%. Although the group owns more than 50% of the voting rights in Uranenergo LLP, the Group does not have the practical ability to direct the relevant activities of Uranenergo LLP unilaterally, nor does joint control exist. Accordingly, the Group accounts for its investment in Uranenergo LLP as an associate.

On 13 November 2013, the Company acquired 1.6 million outstanding shares of JSC Kaustik (40% share of ordinary shares) for KZT 6,040,000 thousand.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs, adjusted by the Group for equity accounting purposes.

	JV SP Betpak Dala		JV KATCO LLP	
	31.12.2013 '000 KZT	31.12.2012 '000 KZT	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Current assets	17,074,522	28,322,258	34,582,340	40,143,636
Non-current assets	32,635,521	28,110,935	70,989,690	65,700,697
Total assets	49,710,043	56,433,193	105,572,030	105,844,333
Current liabilities	(2,598,832)	(2,750,718)	(10,284,015)	(22,090,376)
Non-current liabilities	(3,568,509)	(2,806,512)	(8,167,566)	(5,807,567)
Total liabilities	(6,167,341)	(5,557,230)	(18,451,581)	(27,897,943)
Net assets	43,542,702	50,875,963	87,120,449	77,946,390
Group's share of net assets of associates	13,062,811	15,262,789	42,689,020	38,193,732
Unrealized gain in the Group	(77,087)	-	-	-
Goodwill	-	-	68,356	68,356
Carrying value of investments	12,985,724	15,262,789	42,757,376	38,262,088
Total revenue	44,138,799	52,629,598	71,469,178	47,859,385
Total profit for the year	14,594,497	22,730,920	21,100,474	19,302,466
Other comprehensive income	-	-	409,062	409,062
Total comprehensive profit	58,733,296	75,360,518	92,978,714	67,570,913
Dividends received	6,655,414	6,649,898	6,044,384	16,322,618

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	JV Inkai LLP		Other associate companies	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Current assets	15,303,130	17,300,881	24,231,092	23,336,660
Non-current assets	63,042,833	55,973,559	76,720,904	86,641,207
Total assets	78,345,963	73,274,440	100,951,996	109,977,867
Current liabilities	(36,705,624)	(36,604,225)	(31,243,466)	(17,762,468)
Non-current liabilities	(4,631,588)	(4,242,967)	(37,849,102)	(55,288,278)
Total liabilities	(41,337,212)	(40,847,192)	(69,092,568)	(73,050,746)
Net assets	37,008,751	32,427,248	31,859,428	36,927,121
Group's share of net assets of associates	14,803,500	12,970,899	12,035,238	14,785,918
Unrealized gain in the Group	(456,420)	-	4,211,520	129,998
Goodwill	-	(799,714)	-	-
Carrying value of investments	14,347,080	12,171,185	16,246,758	14,915,916
Total revenue	26,264,331	28,757,448	30,359,781	39,341,573
Total profit for the year	5,975,765	8,688,135	7,811,085	569,119
Other comprehensive income	644,367	(450,665)	-	-
Total comprehensive profit	32,884,463	36,994,918	38,170,866	39,910,692
Dividends received	472,158	1,098,900	-	558,420

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

24. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Details of the Group's jointly controlled entities at the end of the reporting period are as follows:

	Country	Principal activity	31.12.2013		31.12.2012	
			Ownership /voting	'000 KZT	Ownership /voting	'000 KZT
JV Akbastau LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	50%	12,815,464	50%	9,046,950
CJSC COU	Russian Federation	extraction, reprocessing and export of finished uranium products	50%	12,149,990	50%	681,552
Semizbai - U LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	51%	9,828,933	-	-
Karatau LLP	Kazakhstan	extraction, reprocessing and export of finished uranium products	50%	8,394,244	50%	9,998,036
SKZ - U LLP	Kazakhstan	sulfuric acid production	49%	3,921,207	49%	-
JSC Yingtan Ulba Shine Metal Materials Co., Ltd	China	ribbon production from beryllium sales of hydrogen peroxide	50%	325,712	50%	350,905
KazPerOksid LLP	Kazakhstan	construction and management of conversion factory in Kazakhstan	50%	34,504	50%	32,511
ULBA Conversiya LLP	Kazakhstan	production of nuclear fuel	50%	4,714	50%	30,275
JV UKR TVS CJSC	Ukraine	Development of design and technical documentation of nuclear reactors and nuclear power plants	33.33%	3,341	33.33%	3,341
JSC KRCAS	Kazakhstan	Design and implementation of innovation projects	50%	-	50%	-
Chemieanlage mbau Chemnitz Geotechnologia	Germany	Training center	50%	2,393	50%	1,976
KKRUMC	Kyrgyzstan		-	-	50%	1,840
				<u>47,480,502</u>		<u>20,147,386</u>

The above joint venture is accounted for using the equity method in these consolidated financial statements.

As at 31 December 2013 and 2012, the Group did not recognize its share of the accumulated losses of the jointly controlled entity Kazakhstan-Russian Company JSC Atomic Stations, which exceeded the cost of the investment in the amount of KZT 49,237 thousand (2012: KZT 36,694 thousand).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

The Group previously had control over the activities of Semizbay-U LLP and consolidated this entity. During 2013, management concluded that there was a loss of control over Semizbay-U LLP (Note 39). Accordingly, the assets, and liabilities were removed from Group's consolidated statement of financial position as at 31 December 2013, and the investment in Semizbay-U LLP was classified as investment in jointly controlled entities.

On August 23, 2013 the Company acquired ordinary shares of JSC COU in the amount of RUB 2,591,738 thousand, at the acquisition date equivalent to KZT 11,973,830 thousand. This acquisition did not lead to a change in ownership share of 50%.

Summarised financial information in respect of the Group's material jointly controlled entities is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRS, adjusted by the Group for equity accounting purposes.

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Karatau LLP		
Current assets	11,079,906	9,227,940
Including: cash	282,422	354,135
Non-current assets	29,875,797	26,538,896
Total assets	40,955,703	35,766,836
Current liabilities	(12,538,814)	(3,584,003)
Including: Financial liability net of trade and other accounts payable and provisions	(6,601,926)	-
Non-current liabilities	(11,128,273)	(8,882,437)
Including: Financial liability net of trade and other accounts payable and provisions	(8,777,714)	(7,537,000)
Total liabilities	(23,667,087)	(12,466,440)
Net assets	17,288,616	23,300,396
Group share in net assets of jointly controlled entities	8,644,308	11,650,198
Unrecognized profit in the Group	(250,064)	(1,652,162)
Carrying value of investments	8,394,244	9,998,036
	31.12.2013	31.12.2012
	'000 KZT	'000 KZT
Total revenue	39,401,845	41,016,965
Depreciation of intangible assets	(4,871,960)	(4,796,953)
Interest income	19,401	29,554
Interest expense	(820,698)	-
Income tax	(2,963,456)	(5,451,780)
Total profit for the year	13,887,752	18,704,932
Dividends received	8,542,669	10,647,956

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
JV Akbastau JSC		
Current assets	13,118,061	14,871,098
Including: cash	339,477	1,965,625
Non-current assets	<u>22,123,660</u>	<u>19,953,372</u>
Total assets	35,241,721	34,824,470
Current liabilities	(8,036,396)	(8,475,761)
Including: Financial liability net of trade and other accounts payable and provisions	(5,689,304)	(7,157,256)
Non-current liabilities	(1,316,838)	(6,124,405)
Including: Financial liability net of trade and other accounts payable and provisions	<u>-</u>	<u>(5,447,979)</u>
Total liabilities	<u>(9,353,231)</u>	<u>(14,600,166)</u>
Net assets	<u>25,888,490</u>	<u>20,224,304</u>
Group share in net assets of jointly controlled entities	<u>12,944,245</u>	<u>10,112,152</u>
Unrecognized profit in the Group	(128,781)	(1,065,202)
Carrying value of investments	<u>12,815,464</u>	<u>9,046,950</u>
	2013	2012
	‘000 KZT	‘000 KZT
Total revenue	24,820,998	19,054,636
Depreciation of intangible assets	(2,996,273)	(2,991,320)
Interest income	24,161	23,397
Interest expense	(690,008)	(690,008)
Income tax	(2,289,843)	(2,409,528)
Total profit for the year	<u>9,305,609</u>	<u>7,199,132</u>
Dividends received	<u>884,290</u>	<u>852,455</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
Semizbay-U LLP		
Current assets	12,361,153	-
Including: cash	105,255	-
Non-current assets	22,146,985	-
Total assets	34,508,138	-
Current liabilities	(14,161,863)	-
Including: Financial liability net of trade and other accounts payable and provisions	(6,104,926)	-
Non-current liabilities	(9,122,140)	-
Including: Financial liability net of trade and other accounts payable and provisions	(3,632,250)	-
Total liabilities	(23,284,003)	-
Net assets	11,224,135	-
Group share in net assets of jointly controlled entities	5,724,309	-
Unrecognized profit in the Group	4,104,624	-
Carrying value of investments	9,828,933	-
	2013	2012
	‘000 KZT	‘000 KZT
Total revenue	17,793,799	-
Depreciation of intangible assets	(3,715,651)	-
Interest income	3	-
Interest expense	(1,209,315)	-
Income tax	(318,814)	-
Total profit for the year	(2,812,877)	-
Dividends received	-	-

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
Aggregate information on other jointly controlled companies		
Current assets	9,082,214	1,194,199
Including: cash	4,496,747	152,959
Non-current assets	109,188,791	2,054,504
Total assets	118,271,005	3,248,703
Current liabilities	(5,141,436)	(1,112,908)
Including: Financial liability net of trade and other accounts payable and provisions	(3,415,005)	-
Non-current liabilities	(80,372,567)	(5,899)
Including: Financial liability net of trade and other accounts payable and provisions	(20,330,049)	-
Total liabilities	(85,514,003)	(1,118,807)
Net assets	32,757,002	2,129,896
Group share in net assets of jointly controlled entities	16,298,727	1,063,871
Unrecognized profit in the Group	143,134	38,529
Carrying value of investments	16,441,861	1,102,400
	2013	2012
	‘000 KZT	‘000 KZT
Total revenue	12,285,647	1,880,654
Depreciation of intangible assets	(531,347)	(1,758)
Interest income	3,981	2,631
Interest expense	(1,477,505)	(806)
Income tax	(146,125)	(11,242)
Total profit for the year	(31,958)	(53,640)
Dividends received	300,752	129,938

25. OTHER INVESTMENTS

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
<i>Available-for-sale investments:</i>		
Toshiba Nuclear Energy Holdings US, Inc.	48,892,455	48,892,455
Toshiba Nuclear Energy Holdings UK, Ltd.	17,112,425	17,112,425
Baiken-U LLP	1,021,590	1,021,590
Other	29,017	29,714
	67,055,487	67,056,184

Investments in Toshiba Nuclear Energy Holdings US, Inc. and Toshiba Nuclear Energy Holdings UK, Ltd.

Under a purchase agreement in October 2007, the Company invested into Toshiba Nuclear Energy Holdings US, Inc. (“TNEH-US”) and Toshiba Nuclear Energy Holdings UK Ltd (“TNEH-UK”), by acquiring 10% Class A ordinary shares for a total amount of USD 540,000 thousand (TNEH-US USD 400,000 thousand and TNEH-UK USD 140,000 thousand).

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a put option agreement (the “Put Option”) with Toshiba Corporation, the parent company of TNEH-US and TNEH-UK. . At the end of 2012 the Company and Toshiba Corporation signed an agreement that extended the Company’s right to exercise the Put Option until 28 February 2018.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

The Put Option gives the Company a right to sell its shares in TNEH-US and TNEH-UK to Toshiba Corporation for 100% of the original price paid, which equals to USD 540 000 thousand for the first 67% of shares, and for 90% of the original price paid for the remaining 33% of shares, resulting in the price of Put Option to be equal to USD 522,180 thousand. The Put Option was not exercised at 31 December 2013.

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Company entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Company the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that the Company is no longer a strategic partner. In such case, the fair value of the Company's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at 31 December 2013.

The Company has classified these investments as available for sale as this best reflects the intention of the Company with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in private companies for which fair value cannot be reliably measured.

26. CURRENT ACCOUNTS RECEIVABLE

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
Trade receivables	27,367,755	75,711,847
Trade receivables from related parties	6,519,587	5,468,241
	33,887,342	81,180,088
Provision for doubtful debts	(1,284,816)	(630,827)
	32,602,526	80,549,261
Other receivables	197,398	79,522
Other receivables from related parties	116,997	1,622
	314,395	81,144
	32,916,921	80,630,405

Note 40 discloses information on the Group's exposure to credit and currency risks, the provision for doubtful debts and on the ageing of trade receivables.

27. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010 the Company was directed by its ultimate controlling party to construct a Student's Palace in Astana (hereinafter - "the Property").

The Company fulfilled all obligations regarding the construction of the Property in early 2013. In accordance with the decree of Akimat of Astana city the Company transferred the property to Astana city in June 2013. As a result of this transfer, the Company has removed the asset and the related liability of KZT 22,800,818 thousand from the consolidated statement of financial position at 31 December 2013.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

28. OTHER ASSETS

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
<i>Non-current</i>		
Advances paid for long-term assets	16,613,086	21,305,745
Restricted cash	6,589,969	5,984,115
Long-term inventories	6,535,770	8,765,218
Dividends receivable from related parties	3,767,911	-
Loans to employees	1,903,245	2,057,384
Value added tax recoverable	1,213,828	4,498,844
Prepaid expenses	719,865	1,262,142
Advances paid for long-term assets to related parties	18,000	-
Other	26,538	3
	<u>37,388,212</u>	<u>43,873,451</u>
<i>Current</i>		
Advances paid for goods and services	2,002,991	3,518,219
Dividends receivable from related parties	1,713,565	-
Other receivables from related parties	985,074	-
Prepaid expenses	833,731	1,111,216
Loans to employees	558,129	428,184
Advances paid for goods and services to related parties	460,680	218,014
Insurance prepayments	188,579	292,008
Prepaid tax other than income tax	157,788	127,157
Insurance prepayments to related parties	5,867	-
Other	35,512	53,147
	<u>6,941,916</u>	<u>5,747,945</u>

Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use after the commissioning of new uranium pellet production facilities.

In accordance with the terms of its subsurface use agreements, the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2013, KZT 4,899,155 thousand (2012: KZT 4,304,041 thousand) of such deposits are reflected as restricted cash.

Following a government investigation into one of the Group's suppliers, the Company was asked to hold the supplier's arrested cash, which as at 31 December 2013, amounted to 1,690,814 thousand (2012: KZT 1,680,074 thousand). The cash is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations.

29. INVENTORIES

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
Finished goods and goods for resale	31,549,329	32,653,399
Raw materials	12,602,231	11,050,405
Work-in-process	11,418,689	12,972,307
Spare parts	1,175,146	975,717
Fuel	1,090,847	988,217
Materials in process	874,033	512,342
Other materials	2,344,341	1,961,291
	<u>61,054,616</u>	<u>61,113,678</u>
Provision for obsolete inventories	<u>(684,267)</u>	<u>(734,017)</u>
Total inventories	<u>60,370,349</u>	<u>60,379,661</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

30. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant and equipment and intangible assets	1,272,870	1,548,545	(6,189,966)	(7,652,851)
Accounts receivable	635,642	3,583,933	(234)	(1,455,671)
Loans and borrowings	141,830	16,773	(78,654)	(82,822)
Accounts payable	-	-	-	(55,692)
Provisions	3,004,018	1,306,551	(1,609,016)	(1,224,427)
Accrued liabilities	560,696	598,356	-	-
Tax loss carried forward	1,083,233	685,148	-	-
Taxes	474,731	743,604	-	-
Other assets	592,322	558,411	(1,305,188)	(1,046,474)
Other liabilities	157,732	90,751	(244)	(5,632)
Total	7,923,074	9,132,072	(9,183,302)	(11,523,569)
Offset of deferred tax assets and liabilities	(5,475,719)	(6,415,657)	5,475,719	6,415,657
Total	2,447,355	2,716,415	(3,707,583)	(5,107,912)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

(b) Movement in temporary differences

	01.01.2012	Recognized in income	Recognized in equity	31.12.2012
Property, plant and equipment and intangible assets	(6,454,187)	349,881	-	(6,104,306)
Accounts receivable	1,555,068	573,194	-	2,128,262
Loans and borrowings	(69,849)	3,800	-	(66,049)
Accounts payable	-	(55,692)	-	(55,692)
Provisions	142,486	(60,362)	-	82,124
Accrued liabilities	439,924	158,432	-	598,356
Tax loss carried forward	156,230	528,918	-	685,148
Taxes	563,753	179,851	-	743,604
Other assets	(358,532)	(6,191)	(123,340)	(488,063)
Other liabilities	(25,700)	(67,838)	178,657	85,119
	(4,050,807)	1,603,993	55,317	(2,391,497)

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	01.01.2013	Recognized in income	Disposal of subsidiary	31.12.2013
Property, plant and equipment and intangible assets	(6,104,306)	218,185	969,025	(4,917,096)
Accounts receivable	2,128,262	(1,492,155)	(699)	635,408
Loans and borrowings	(66,049)	129,225	-	63,176
Accounts payable	(55,692)	55,692	-	-
Provisions	82,124	1,396,012	(83,134)	1,395,002
Accrued liabilities	598,356	(29,689)	(7,971)	560,696
Tax loss carried forward	685,148	398,085	-	1,083,233
Taxes	743,604	(115,851)	(153,022)	474,731
Other assets	(488,063)	(224,803)	-	(712,866)
Other liabilities	85,119	72,369	-	157,488
	<u>(2,391,497)</u>	<u>407,070</u>	<u>724,199</u>	<u>(1,260,228)</u>

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized for:

<i>Tax effect</i>	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Tax losses carried forward	1,795,060	550,556
	<u>1,795,060</u>	<u>550,556</u>

The tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize the benefit of the tax losses. The tax losses expire as follows:

	'000 KZT
2018-2022	493,288
2023	1,301,772
	<u>1,795,060</u>

31. TERM DEPOSITS

	Currency	31.12.2013 '000 KZT	31.12.2012 '000 KZT
<i>Non-current</i>			
JSC Bank CenterCredit	Tenge	420,218	50,968
JSC Tsesna Bank	Tenge	330,000	1,600,000
JSC Eurasian bank	Tenge	200,000	-
JSC Vneshtorgbank Kazakhstan	Tenge	15,000	500,000
JSC Halyk Bank of Kazakhstan	Tenge	2,418	1,795
JSC Alliance Bank	Tenge	1,175	1,000
JSC BTA Bank	Tenge	727	473
JSC Citibank	Tenge	105	-
JSC DB Sberbank	Tenge	-	1,500,000
JSC ATF Bank	Tenge	-	100,146
JSC DB Alfa Bank	Tenge	-	2,000
		<u>969,643</u>	<u>3,756,382</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Currency	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Current			
JSC Eurasian Bank	Tenge	30,683	1,001,875
JSC Citi Bank	Tenge	2,647	535,879
JSC DB Alfa Bank	Tenge	2,011	210,129
JSC Vneshtorgbank Kazakhstan	Tenge	-	200,000
JSC Eksim Bank	Tenge	-	200,321
JSC Bank CenterCredit	Tenge	668,847	216
JSC Halyk Bank of Kazakhstan	Tenge	472,874	1
JSC DB Sberbank	Tenge	-	11,469
JSC Tsesna Bank	Tenge	43,706	-
JSC Kazkommerzbank	Tenge	225,622	-
JSC ATF Bank	Tenge	125,900	-
JSC BTA Bank	Tenge	54,556	-
		1,626,846	2,159,890

Interest rates on term deposits held by the Group as at 31 December 2013 vary from 0.1% to 7.5% per annum (2012: from 0.01% to 8%).

Note 40 disclose information on the Group's exposure to interest rate risk and provide sensitivity analysis of relating to the Group's financial assets and liabilities.

32. LOANS TO RELATED PARTIES

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Non-current		
<i>Associates</i>		
Kyzylkum LLP	8,440,754	7,698,391
<i>Available-for-sale investments</i>		
Baiken-U LLP	6,119,447	5,579,228
<i>Jointly controlled entities</i>		
Semizbay – U LLP	3,632,250	-
	18,192,451	13,277,619
Current		
<i>Jointly controlled entities</i>		
Semizbay – U LLP	1,321,644	-
Kazakhstan-Russian Company	20,000	20,000
JSC Atomic Stations	-	-
	1,341,644	20,000

The weighted average annual interest rate on loans to related parties in 2013 was 7.87% (2012: 7.95%).

In September and December 2010, the Group provided interest-bearing long-term loans to Kyzylkum LLP and Baiken-U LLP. In 2012 the repayment schedule was revised to extend the terms of maturity of the Kyzylkum LLP and Baiken-U LLP loans to 2024 and 2022, respectively. The loans are collateralized by property of the borrowers.

In September 2012, the Company provided a five-year loan to Semizbay-U LLP. This loan is secured by property of Semizbay-U. In the 2012 financial statements Semizbay-U LLP was classed as a subsidiary and accordingly the loans were eliminated from consolidation. As disclosed in Note 24, in the current year the Group lost control of Semizbay-U LLP and now accounts for its investment as a joint venture. The loan is repayable starting from 2014.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

33. CASH AND CASH EQUIVALENTS

	31.12.2013	31.12.2012
	<u>'000 KZT</u>	<u>'000 KZT</u>
Bank accounts	15,460,622	37,086,677
Demand deposits	1,632,028	831,662
Petty cash	59,451	120,566
	<u>17,152,101</u>	<u>38,038,905</u>

34. EQUITY

(a) Share capital

	Common shares 2013	Common shares 2012
	<u></u>	<u></u>
Number of authorized and issued shares (par value: KZT 1,000)	36,692,361	36,692,361
	<u>36,692,361</u>	<u>36,692,361</u>

All shares of the Company are owned by the Shareholder JSC "NWF "Samruk-Kazyna" who ultimately decides on dividend distribution.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. In 2013 the Company declared dividends of KZT 7,637,242 thousand (2012:KZT 23,501,328 thousand). As at 31 December, 2013 the Company paid dividends of KZT 19,387,906 thousand, including dividends declared for 2012 of KZT 11,750,664 thousand.

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from the issuance of shares.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into presentation currency, are recognized directly in the foreign currency translation reserve.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

35. LOANS AND BORROWINGS

	31.12.2013 ‘000 KZT	31.12.2012 ‘000 KZT
<i>Non current</i>		
Bonds	76,426,228	74,740,067
Secured bank loans	14,194,795	19,336,629
Unsecured non-bank loans	247,431	251,515
	<u>90,868,454</u>	<u>94,328,211</u>
<i>Current</i>		
Unsecured bank loans	21,791,645	1,062,903
Secured bank loans	7,332,814	11,168,438
Unsecured non-bank loans	135,187	1,252,427
Interest payable on bonds	543,682	533,524
Finance lease obligations	-	6,329
	<u>29,803,328</u>	<u>14,023,621</u>

During 2013 the Group obtained short term bank loans for the purpose of replenishment of working capital.

Bonds

On 20 May 2010, the Company issued USD 500,000,000 (equivalent to KZT 73,510,000 thousand) of unsecured 6.25% bonds due in 2015 (the “Bonds”). Interest on the Bonds is payable semi-annually in arrears on 20 November and 20 May of each year.

Bond covenants

(i) Negative pledge

The Group and material subsidiaries are restricted from creating, incurring or assuming any pledges, other than permitted pledges, on any of their assets or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness

(ii) Limitation on payments of dividends

The Company is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital (a) at any time when there exists an event of default or (b) or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Company’s consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on sales of assets and subsidiary stock

The Company is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent as at 31 December 2013 KZT 1,536,100 thousand) unless the Company or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Company should continue to “beneficially own”, directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

Management of the Group believes that it complies with the covenants as set out above as at 31 December 2013.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

In connection with the transfer of the Property (Note 27) in favor of the ultimate controlling party or to another person to be determined by the ultimate controlling party, in March 2012 the Company received the consent of bondholders to waive the condition “Restricting the sale of assets and equity of subsidiaries” and any other conditions that may occur as a direct result of the construction and transfer of the Property by the Company.

(b) Secured and Unsecured loans

'000 KZT	Currency	Year of maturity	31.12.2013	31.12.2012
Secured bank loans				
The Bank of Tokyo-Mitsubishi UFJ Ltd	EUR	2024	11,390,973	10,442,876
Japan Bank of International Cooperation	USD	2014	3,674,873	7,106,072
Natixis Bank	USD	2022	3,078,803	2,896,739
Mizuho Corporate Bank Ltd.	USD	2015	2,016,349	3,109,707
Japan Bank of International Cooperation	USD	2014	1,153,227	1,468,331
Natixis Bank	USD	2014	213,384	629,237
Industrial and Commercial Bank of China	USD	2013	-	3,019,208
Natixis Bank	USD	2013	-	736,388
Citibank, Tokyo	USD	2013	-	644,113
JSC SB “Bank of China in Kazakhstan”	USD	2012	-	452,396
			<u>21,527,609</u>	<u>30,505,067</u>
Unsecured bank loans				
JSC “Citibank Kazakhstan”	USD	2014	9,759,490	1,062,903
Natixis Bank	USD	2014	4,570,280	-
JSC “Nurbank”	USD	2014	4,147,470	-
JSC “Alfa Bank”	USD	2014	3,052,573	-
JSC “Alfa Bank”	KZT	2014	261,832	-
			<u>21,791,645</u>	<u>1,062,903</u>
			43,319,254	31,567,970
Unsecured non-bank loans				
Kozhema Katko Demeu “SGHK” LLP	Tenge	2024	247,431	226,598
Purelight International	Tenge	2013	110,141	78,207
Purelight AG	Tenge	2014	18,163	18,163
Purelight AG	USD	2014	6,883	6,754
Sumitomo Corporation	USD	2013	-	841,723
Kansai Electric Power Inc.	USD	2013	-	332,497
			<u>382,618</u>	<u>1,503,942</u>
Finance lease obligations				
JV Betpak-Dala LLP	Tenge	2013	-	6,329
			-	6,329
Bonds (unsecured)				
Bonds	USD	2015	76,969,910	75,273,591
			<u>120,671,782</u>	<u>108,351,832</u>

In 2013, the Group’s weighted average interest rate on fixed interest rates on bank loans was 6.38% (2012: 6.45%) and on floating interest rate loans, was 3.95% (2012: 2.53%).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply with laws to which it is subjected, must not create or permit any security over its assets or dispose of assets, except for the cases indicated in loan agreements, and must obtain the lenders' approval for acquisitions, mergers and disposals if any. It must also sell uranium solely to customers for non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group is subject to certain key financial covenants based on the Group's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio, all calculated as defined in the various loan agreements.

Management of the Group believes that it complied with the financial covenants related to the Group's various loan agreements as at 31 December 2013.

Collateral

Bank loans are secured by contracts on delivery of goods (uranium concentrate).

In 2012 property, plant and equipment that was pledged to secure bank loans was removed from encumbrance due to the settlement of the contract. On 14 February 2012, the encumbrance of collateral in the form of inventories was withdrawn from a credit line in Halyk Bank of Kazakhstan due to expiration of the contract.

The Group has no right to re-pledge the collateral. There were no other significant terms and conditions associated with the use of collateral.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)**

36. PROVISIONS

'000 KZT	Compensation for occupational diseases	Environmental protection	Reserve on restoration of mine sites	Social object	Other	Total
Balance as at 1 January 2012						
Non-current	420,407	1,102,695	8,136,461	-	17,667	9,677,230
Current	85,461	-	-	22,729,911	-	22,815,372
Total	505,868	1,102,695	8,136,461	22,729,911	17,667	32,492,602
Provision created within the year	85,224	12	114,997	-	1,369	201,602
Change in estimate	-	12,191	385,048	70,907	-	468,146
Unwinding of discount	36,049	77,190	588,050	-	635	701,924
Provision used within the year	(90,342)	(31,229)	(3,313)	-	-	(124,884)
Foreign exchange	-	-	175	-	-	175
Balance as at 31 December 2012	536,799	1,160,859	9,221,418	22,800,818	19,671	33,739,565
Allocated as:						
Non-current	441,548	1,160,859	9,221,418	-	19,671	10,843,496
Current	95,251	-	-	22,800,818	-	22,896,069
Total	536,799	1,160,859	9,221,418	22,800,818	19,671	33,739,565
Provision created within the year			593,560	-		593,560
Change in estimate	277,284	1,107,233	3,067,355	-	2,586	4,454,458
Disposal of investment in subsidiary	-	-	(804,310)	-	-	(804,310)
Unwinding of discount	47,326	81,260	603,629	-	1,295	733,510
Provision used within the year	(94,264)	-	-	(22,800,818)	-	(22,895,082)
Foreign exchange	-	-	214	-	-	214
Balance as at 31 December 2013	767,145	2,349,352	12,681,866	-	23,552	15,821,915
Allocated as:						
Non-current	669,416	2,349,352	12,681,866	-	23,552	15,724,186
Current	97,729	-	-	-	-	97,729
Total	767,145	2,349,352	12,681,866	-	23,552	15,821,915

Changes in accounting estimates occur primarily as a consequence annual retranslation of estimated remediation costs related to site facilities taking into consideration newly drilled wells, built sand tanks and other property, subject for further liquidation.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(a) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group management base their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. As at 31 December 2013 the undiscounted amount of the estimate is KZT 1,309,405 thousand (2012: KZT 898,733 thousand).

This estimate has been recognized at present value using a discount rate of 6.3% (2012: 7%) and inflation rate of 6% (2012:5%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

(b) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. As at 31 December 2013 the undiscounted value of the estimated costs to comply with this legislation was KZT 47,812,084 thousand (2012: KZT 27,987,180 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred.

In computing the provision for environmental protection the Group used a discount rate of 6.3% (2012: 7%) and inflation rate of 6% (2012: 5%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

When determining the amount of the environmental provision, Group management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in 2000-2011, and considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(c) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. The undiscounted estimated cost of reclamation activities is KZT 21,474,070 thousand (2012: KZT 17,469,486 thousand) and the present value of such cost has been estimated using a discount rate of 6.3% (2012: 7%). This is a risk free nominal rate as the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues to evolve. The provision is the discounted value of estimated costs at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2013 the amount of restricted such deposits was KZT 4,899,155 thousand (2012: KZT 4,304,041 thousand) (Note 28).

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Key assumptions, in addition to the discount rate noted above, which serve as the basis for determining the carrying value of the provision for reclamation of mine sites provision are as follows:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. These facts set out a constructive obligation for the Group to recognize the site restoration provision for all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2019 - 2034, at the end of the life of the mine; and
- inflation rate - 6% per annum.

(d) Provision for social object

In May 2010 the Company was directed by its Shareholder to construct a Student's Palace in Astana (hereinafter - "the Property"). The Group entered into an onerous commitment.

The Company has fulfilled all obligations regarding the construction of the Property. In accordance with the prescription of Akimat of Astana city in June, 2013 the Company transferred the property to Astana city. As a result, the Company has removed the asset and the related liability of KZT 22,800,818 thousand from the consolidated statement of financial position at 31 December 2013 (Note 27).

37. ACCOUNTS PAYABLE

	<u>31.12.2013</u> <u>'000 KZT</u>	<u>31.12.2012</u> <u>'000 KZT</u>
<i>Non-current</i>		
Trade payables	2,334,316	2,815,395
Other payables	26,898	-
	<u>2,361,214</u>	<u>2,815,395</u>
<i>Current</i>		
Trade payables to related parties (Note 42)	22,107,060	35,547,556
Trade payables	9,158,231	14,020,324
Other payables	498,619	563,915
Other payables to related parties	163	1,740
	<u>31,764,073</u>	<u>50,133,535</u>

Trade payables mainly include the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 40.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

38. OTHER LIABILITIES

	31.12.2013 <u>'000 KZT</u>	31.12.2012 <u>'000 KZT</u>
<i>Non-current</i>		
Commitments on historical costs	2,425,355	2,474,691
Other payables	1,688,664	2,057,626
Advances received from related parties	1,288,460	-
Prepaid expenses	663,864	106,706
Obligations to holders of preferred shares	264,827	264,827
Provision for other employee benefits	-	149,645
	<u>6,331,170</u>	<u>5,053,495</u>
<i>Current</i>		
Provision for unused vacation and other employee benefits	2,818,524	2,853,208
Advances received	2,361,125	1,800,245
Salaries payable	2,027,797	2,199,041
Advances received from related parties	1,606,345	892,072
Commitments on historical costs	967,238	909,371
Social contributions payable	585,130	686,706
Dividends payable to other participants	196,864	155,604
Prepaid expenses	26,787	-
Dividends payable to Shareholder	-	11,750,664
Other liabilities	10,466	27,792
	<u>10,600,276</u>	<u>21,274,703</u>

Historical costs liabilities

In accordance with the terms of a series of contracts for subsoil use on uranium deposits the Group's obligations to reimburse historical costs for geological exploration and evaluation to the Government of the Republic of Kazakhstan (hereinafter - "the Government") were determined in the amount of KZT 3,443,285 thousand as at 31 December 2013 (2012: KZT 3,224,124 thousand).

In accordance with new tax legislation effective from 1 January 2010, the historical costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2013 is 3,3% (2012: 3.3%) for historical costs denominated in USD and 7% for historical costs denominated in KZT (2012: 7%). This is a risk free real rate and the future cash outflows reflect risk specific to the liability.

39. TRANSACTIONS ON DISPOSAL OF INVESTMENT AND LOSS OF CONTROL

In 2008, the Group entered into an Agreement (the "Agreement") to dispose of 49% of its interest in "Semizbay-U" LLP ("Semizbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company").

The Agreement entitled Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033. The payments of these distributions were guaranteed by Company. This liability was measured at fair value at inception and was subsequently measured at amortized cost.

The disposal of the Group's interest in Semizbay-U required regulatory approval in Kazakhstan and this approval was a condition precedent in the Agreement.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

As of 31 December 2012, regulatory approval had not been achieved. In 2012, the Group signed an amicable agreement with Sino-Kaz Company regarding the conditions of purchase and sale of the 49% interest in Semizbay. The relevant terms of this agreement were:

- The Company would obtain all necessary Kazakhstan regulatory approvals for the sale transaction. This occurred on 30 May 2013.
- The parties agreed to reassess the fair value of the 49% interest in Semizbay. As a result, the Group repaid to Sino-Kaz Company USD 132 million (equivalent to KZT 19.9 billion) on 7 June 2013, which represented the difference between the original contractual obligation and the fair value of the 49% interest sold;
- The parties agreed to cancel the guaranteed minimum dividends payable to Semizbay for the period 2012 to 2033. The amortized cost of the financial liability as of 30 May 2013 was USD 308 million (equivalent to KZT 46.7 billion).

Concurrently with achieving regulatory approval for the sale of the 49% interest, the governing documents of Semizbay-U were changed. As a result of these changes, the Group no longer had the unilateral ability to direct the relevant activities of Semizbay-U; rather, the power over these decisions is shared with Sino-Kaz Company. The Group accounted for the cancelation of the minimum guaranteed dividend payable as an extinguishment of financial liability. As a result, the Group deconsolidated its investment in Semizbay-U and recognized its retained interest at fair value on the date control was lost.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

As a result of these transactions, the Group recognized a gain of KZT 23,929,927 thousand in comprehensive income. The effect of the disposal of Semizbay-U was recognized in the consolidated financial statements as follows:

	'000 KZT
Non-current assets	
Property, plant and equipment	20,002,141
Intangible assets	568,940
Accounts receivable	660,584
Other non-current assets	1,140,361
Total non-current assets	22,372,026
Current assets	
Inventory	7,450,456
Accounts receivable	2,819,062
Funds in credit institutions	764
Deferred tax assets	585,483
Other current assets	1,105,607
Cash and cash equivalents	1,238,566
Total current assets	13,199,938
Total assets	35,571,964
Non-current liabilities	
Loans received	4,843,000
Deferred tax liabilities	724,198
Provisions	804,310
Other non-current liabilities	5,515,068
Total non-current liabilities	11,886,576
Current liabilities	
Loans received	6,837,084
Employee benefit obligations	58,409
Accounts payable	2,647,052
Provisions	39,855
Other current liabilities	65,977
Total current liabilities	9,648,377
Total liabilities	21,534,953
Semizbai-U's Net assets (liabilities) as at the date of disposal	14,037,011
Less: Fair value of 51% non-controlling interest retained	(11,263,500)
Less: Amortized cost of the minimum guaranteed dividend payable, prior to payment	(46,676,358)
Cash payment made to Semizbai-U	19,972,920
Gain on extinguishment of liability and disposal of subsidiary	23,929,927

40. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks relating to the operations of the Group:

- credit risk;
- liquidity risk; and
- market risk;

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's policy for management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, and term deposits, and loans to employees and related parties.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 KZT	Carrying amount	
	31.12.2013	31.12.2012
Other investments (available-for-sale) (Note 25)	67,055,487	67,056,184
Trade receivables (current and long-term)	33,329,028	80,549,261
Cash and cash equivalents	17,152,101	38,038,905
Term deposits	9,186,458	11,900,387
Loans to related parties (Note 32)	19,534,095	13,297,619
Loans to employees (Note 28)	1,903,245	2,057,384
	148,160,414	212,899,740

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 40% of the Group's revenue (45% of trade receivables) is attributable to sales transactions with two main customers as at 31 December 2013. The Group defines counterparties as having similar characteristics if they are related entities.

The Group applies a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 KZT	Carrying amount	
	31.12.2013	31.12.2012
USA	16,201,699	11,051,545
Kazakhstan	9,403,766	8,788,305
China	3,291,760	37,109,489
Japan	2,134,405	3,040,762
Europe	2,015,855	9,349,768
Russia	157,421	1,875,262
India	-	9,327,523
Other	124,122	6,607
	33,329,028	80,549,261

The most significant clients of the Group are China Nuclear Energy Industry Corporation, TradeTech and CGNPC Uranium Resources Company Limited. As at 31 December 2013, the cumulative balance receivable from these clients was KZT 14,678,869 thousand (2012: KZT 36,190,935 thousand).

Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set by the National Bank of the Republic of Kazakhstan (31 December 2013: 5.5%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

As at reporting date, the ageing of the trade receivables was as follows:

	Total book value	Impaired	Total book value	Impaired
	2013	2013	2012	2012
Non-expired	31,957,538		74,437,088	
Expired	2,656,306	1,284,816	6,743,000	630,827
<i>including:</i>				
<i>Expired for 0-30 days</i>	1,522,079	-	1,659,037	-
<i>Expired for 31-120 days</i>	780,772	-	4,302,498	-
<i>Expired for more than 120 days</i>	353,455	-	781,465	-
	34,613,844	1,284,816	81,180,088	630,827

During the reporting period, the movement on the provision for doubtful debts was as follows:

	2013 '000 KZT	2012 '000 KZT
At 1 January	630,827	1,439,130
Increase in provision for doubtful debts	682,987	112,758
Change in estimate	(4,936)	(779,928)
Amounts written off during the year	(24,062)	(141,133)
At 31 December	1,284,816	630,827

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations which excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is a summary of the Group's undrawn borrowing facilities and available cash and cash equivalents, including term deposits, which are the important instruments in managing the liquidity risk:

	<u>31.12.2013</u> <u>'000 KZT</u>	<u>31.12.2012</u> <u>'000 KZT</u>
- amount used (current deposits)	3,258,874	2,991,552
- amount used (bank account)	15,520,073	37,207,243
- amount unused	28,258,798	9,818,625
	<u>47,037,745</u>	<u>50,017,420</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

The following are the contractual maturities of financial liabilities:

31.12.2013 '000 KZT	Carrying amount	Contractual cash flows	0-1 months	1-3 months	From 3 months - 1 year	From 1-5 years	More than 5 years
Bank loans	43,319,254	45,067,067	248,971	8,225,598	22,096,544	7,787,780	6,708,174
Non-bank loans	382,618	382,618	-	8,820	126,367	-	247,431
Bonds	76,969,910	84,005,469	-	-	4,800,313	79,205,156	-
Other liabilities	7,798,431	7,798,431	2,612,927	196,864	3,299,976	-	1,688,664
Other financial liabilities	2,921,607	2,921,607	-	-	496,252	-	2,425,355
Preferred shares	264,827	264,827	-	-	-	-	264,827
Trade payables and payables to related parties	34,125,287	34,125,287	-	31,764,073	-	2,361,214	-
	165,781,934	174,565,306	2,861,898	40,195,355	30,819,452	89,354,150	11,334,451
31.12.2012 '000 KZT	Carrying amount	Contractual cash flows	0-1 months	1-3 months	From 3 months - 1 year	From 1-5 years	More than 5 years
Bank loans	31,567,970	33,441,991	-	6,822,780	6,276,037	15,690,007	4,653,167
Non-bank loans	1,503,942	1,510,958	-	924,815	334,628	24,917	226,598
Bonds	75,273,591	87,192,814	-	2,356,563	2,356,563	82,479,688	-
Other financial liabilities	49,561,403	49,561,403	-	-	47,086,712	1,237,344	1,237,347
Other liabilities	27,004,649	27,004,649	2,885,747	24,118,902	-	-	-
Preferred shares	264,827	264,827	-	-	-	211,860	52,967
Lease	6,329	6,329	6,329	-	-	-	-
Trade payables and payables to related parties	52,948,930	52,948,930	-	49,566,760	566,775	2,815,395	-
	238,131,641	251,931,901	2,892,076	83,789,820	56,620,715	102,459,211	6,170,079

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes. Generally, the Group does not apply special hedge accounting for the purposes of regulating the variability of profit or loss for the period.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency Tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by planning future expenses taking into consideration the currency of payment.

Currency risk exposure

The Group is mainly exposed to the risk of USD currency fluctuations. The Group's exposure to currency risk was as follows:

	31.12.2013	31.12.2012
	USD-denominated	USD-denominated
Accounts receivables	23,046,917	70,677,810
Cash and cash equivalents	2,931,280	15,441,834
Other assets	501,384	492,016
Total assets	26,479,581	86,611,660
Bonds issued	(76,969,910)	(75,273,591)
Loans and borrowings	(24,473,289)	(22,306,068)
Other liabilities	(720,495)	(492,095)
Accounts payables	(2,926,194)	(1,267,491)
Other financial liabilities	(2,921,607)	(49,561,403)
Total liabilities	(108,011,495)	(148,900,648)
Net exposure	(81,531,914)	(62,288,988)

The following exchange rates applied during the year:

In KZT	Average rate		Reporting date spot rate	
	2013	2012	2013	2012
USD 1	152.14	149.11	153.61	150.74

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Sensitivity analysis

A 30% weakening and 10% strengthening of the KZT against the USD as at 31 December 2013 (2012: 10% and 10%) would increase (decrease) equity and profit/loss by the amounts shown below. These sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Profit or (loss) ‘000 KZT
2013	
USD	
+30%	(24,459,574)
-10%	8,153,191
2012	
USD	
+30%	(18,686,696)
-10%	6,228,899

Price risk on the uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium prices.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the end of the reporting period there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

Interest rate risk

Changes in interest rates impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (floating rate debt).

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or a floating rate would be more favorable to the Group over the expected period until maturity.

As at December 31, 2013 70% (2012: 70%) of the Groups borrowings have a fixed interest rate.

Structure

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

‘000 KZT	Nominal amount	
	31.12.2013	31.12.2012
Fixed rate instruments		
Financial assets	28,661,767	24,349,594
Financial liabilities	(84,814,403)	(77,118,612)
	<u>(56,152,636)</u>	<u>(52,769,018)</u>
Floating rate instruments		
Financial liabilities	<u>(35,857,379)</u>	<u>(31,226,891)</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

Therefore a change in interest rates at the reporting date would not affect profit or loss.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have (decreased) increased equity and profit or loss by the amounts shown below, represents management's assessment of reasonably possible changes in the interest rates based upon current interest rates and the current economic environment. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

'000 KZT	Profit or (loss)	
	100 bp increase	25 bp decrease
2013		
Floating rate instruments	(358,574)	89,643
2012		
Floating rate instruments	(312,269)	78,067

(a) Fair values versus carrying amounts

With the exception of instruments specified in the following table, the Group believes that the carrying value of financial assets and financial liabilities are recognized in the financial statements approximate their fair value due to their short-term nature:

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

In assessing fair values, management used the following major methods and assumptions:

Interest free financial liabilities and financial liabilities with fixed interest rate

Financial liabilities were discounted at effective interest rate which approximates the market rate.

Financial liabilities with floating interest rate

The fair value is not materially different from the carrying amount because the effect of the time value of money is immaterial.

	31.12.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank loans and unsecured notes	43,319,254	42,659,199	31,567,970	31,540,808
Unsecured non-bank loans	382,618	272,911	1,503,942	1,392,869
Bonds	76,969,910	72,605,341	75,273,591	74,734,684
	120,671,782	115,537,451	108,345,503	107,668,361

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital includes all capital and reserves of the Group. The Group monitors the following indicators:

- financial stability, or measures of loan management, determining the degree of borrowing funds utilization; and
- profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

In September 2012 the Shareholder of the Group adopted a new policy on borrowings and financial stability in order to identify common principles and rules of fundraising for non-financial organizations.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

In order to evaluate the financial stability of the Group, the following key financial ratios are used:

- the debt to equity ratio of not greater than 1;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater than 3.5.

41. CONTINGENCIES

(a) Put option with Sino-Kaz Company

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semizbay-U to the Company at a price equal to the consideration paid by Sino-Kaz Company, less the present value of net income distributed to Sino-Kaz Company. This put option is exercisable in the event that a decision to supply fuel pallets produced at JSC Ulba Metallurgical Plant for the reactors at China Guangdong Nuclear Power Corporation is not reached before 1 July 2014.

If the above stated decision is not agreed between JSC NAK Kazatomprom and CGNPC-URC before 1 July 2014, JSC NAK Kazatomprom will buy and Sino-Kaz Company will sell the share interest of Sino-Kaz Company in Semizbay-U LLP at repurchase price based on formula determined in an additional addendum to major.

(b) Insurance

The insurance industry in Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full insurance coverage for its plant facilities, business interruption, or third party liabilities in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(c) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, mineral extraction tax and other taxes being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a body which is entitled to charge fines, interest and penalties. Tax years remain open for review by tax authorities for five calendar years subsequent to the tax year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax authorities and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for corporate income tax purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and state tax officials often differ. The existing regime of charging penalties and fines in the case of declared and discovered violations of laws, decrees and standards of Kazakhstan are strict and tax authorities are aggressive in the inspection of subsurface users. The sanctions include penalties, which comprise 50% of the additional charge of the tax and payment of penalties of 2.5 times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

Such conditions create more serious tax, penalty and interest risks in Kazakhstan as compared to other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements.

Management of the Group believes that it adequately recognized its tax liabilities in the consolidated financial statements.

(ii) Excess profit tax (“EPT”)

In accordance with tax legislation from 2009 the subsoil users must pay EPT on the amount of net income earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For EPT calculation purposes, EPT expenditures include the following:

- corporate income tax deductions claimed in a calendar year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- any capital expenditures that a subsoil user incurs in the calendar year for the purposes of its subsoil use operations; and,
- any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the calendar year.

The EPT base is the portion of the net income calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, net income represents the difference between taxable income and the corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

Taking into account that the revenue from the Company’s contracts is defined as cost of production, increased by 20%, using the current method of calculating corporate income tax and EPT, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax (“MET”)

There has been uncertainty in the past regarding the taxable base for MET. Previously, management of the Company used the cost of initial processing as the taxable base and applied the MET rate of 22% which was set by the Tax Code. In 2012 through discussions between the uranium producing companies and the tax authorities, a mutual understanding was reached that the taxable base should include the cost of initial production grossed up for MET. As part of that negotiation, the MET rate was reduced for 2009-2012 from 22% to 17.5%. The relevant changes in the Tax Code were approved on December 26, 2012. The Company recognized the effect of this revision in its consolidated financial statements for the year ended December 31, 2012.

Effective from 1 January 2013 certain changes were made in the Tax Code and the mineral extraction tax rate was changed to 18.5% on prospective basis.

(iv) Transfer Pricing

The Kazakhstan transfer pricing law, which was amended and enacted on 1 January 2009 primarily applies to cross-border and domestic transactions involving sales of goods and services. As at 31 December 2013, the Company has made adjustments that it considers appropriate to comply with the transfer pricing law.

In December 2012 a documentary thematic inspection on state control over transfer pricing for 2007 in JSC National Atomic Company Kazatomprom was completed (started and stopped in 2009). As a result of the inspection the Company has received a report and notice of payment of additional corporate income tax, penalties and interest for total amount of USD 6,390,276 thousand.

The Company did not agree with the notice and filed a series of appeals to challenge the lawfulness of this tax charge in the courts of Kazakhstan. In May 2013 the Company filed an appeal with the Supreme Court of Almaty, which was denied in July 2013. Subsequently, the Company filed an appeal with the Appeal Board of Almaty City Court, which appeal was dismissed on 18 September 2013.

As a result, the Company recognized and reflected the obligation to pay to the budget of the Republic of Kazakhstan, CIT in the amount of KZT 2,983,522 thousand, interest in the amount of KZT 1,914,993 thousand and a fine in the amount of KZT 1,491,761 thousand. As of 31 December 2013 the amount of corporate income tax and penalties are paid in full to the state.

In 2014, the Company continued filing for complaints and sent a cassation complaint № 04-16/00117 from 16 January 2014 to the Cassation Board of Almaty City Court. Following the meeting of Cassation Board held 19 February 2014 the cassation appeal was dismissed.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(d) Environmental obligations

In accordance with the approved Program of the Government of the Republic of Kazakhstan on the development of nuclear industry in the Republic of Kazakhstan for 2011-2014, with the prospect of until 2020 (hereinafter referred to as the "Program") the government body is responsible for decommissioning reactor BN-350 and for storing the reactor's nuclear fuel rods, including the further utilization of the related equipment and materials is the Ministry of Industry and New Technologies of the Republic of Kazakhstan.

In addition, the Program also provides the sources of funding for these activities from the Republican budget. AS at December 31, 2013 the Group has no legal or financial obligation to decommission reactor BN-350.

(e) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 38,185,771 thousand (2012: KZT 38,265,908 thousand).

42. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 3593 dated 14 July 1997. On 19 January 2009 the Shareholder became the sole owner of the Company. The Shareholder is wholly owned by the Government.

(b) Transactions with management and close family members

Members of the Board of Directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs.

	<u>2013</u> <u>'000 KZT</u>	<u>2012</u> <u>'000 KZT</u>
Salaries and bonuses	<u>1,936,796</u>	<u>1,887,519</u>

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies controlled by the Shareholder, as detailed below.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(iv) Transactions with other related parties

(i) Revenue and trade receivables

'000 KZT	Transaction value 2013	Outstanding balance 2013	Transaction value 2012	Outstanding balance 2012
<i>Sale of goods and services</i>				
Associates	23,909,503	2,028,740	9,031,919	4,332,721
Jointly controlled entities	15,368,500	4,328,861	5,763,335	881,809
Sister companies	16,938,819	345,146	6,399,133	332,726
Other	1,963,325	344,064	-	1,833,416
Entities under common control	87,505	173	41	173
Dividends declared by associates	13,171,956	-	18,102,779	-
Dividends declared by jointly controlled entities	9,426,960	6,466,549	2,852,455	-
	80,866,568	13,513,533	42,149,662	7,380,845

All outstanding balances with related parties are to be settled in cash within six months of the reporting period end. None of the balances are secured.

(ii) Expenses and trade payables

'000 KZT	Transaction value 2013	Outstanding balance 2013	Transaction value 2012	Outstanding balance 2012
<i>Purchase of goods and services</i>				
Associates	33,146,141	7,824,034	2,773,279	20,431,882
Jointly controlled entities	40,237,873	12,824,633	5,990,936	10,658,013
Sister companies	27,007,050	4,346,404	12,420,671	4,139,782
Entities under common control	50,552	1,655	-	-
Dividends to owner	7,639,051	-	-	11,750,664
Other	2,042	6,952	-	1,211,691
	108,082,709	25,003,678	21,184,886	48,192,032

All outstanding balances with related parties are to be settled in cash within six months of the end of the reporting period. None of the balances are secured.

(iii) Loans

'000 KZT	Amount loaned 2013	Outstanding balance 2013	Amount loaned 2012	Outstanding balance 2012
Associates	8,440,754	8,440,754	7,698,391	7,698,391
Jointly controlled entities	4,973,894	4,973,894	20,000	20,000
Other	6,119,447	6,119,447	5,579,228	5,579,228
	19,534,095	19,534,095	13,297,619	13,297,619

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(v) Transactions with BTA Bank JSC

BTA Bank JSC is a related party under common control of the Group.

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2012	757,227	755,470	1,757
Placed/Accrued	398,172	399,250	(1,078)
Withholding tax	(101)	-	(101)
Foreign exchange difference	(1,417)	(1,417)	-
Withdrawn	(1,153,408)	(1,152,833)	(575)
As at 31 December 2012	473	470	3
Placed/Accrued	1,465,836	1,442,250	23,586
Withholding tax	(2,854)	-	(2,854)
Foreign exchange difference	-	-	-
Withdrawn	(378,292)	(362,120)	(16,172)
As at 31 December 2013	1,085,163	1,080,600	4,563

Current account

'000 KZT	31.12.2013	31.12.2012
As at 31 December	3,906,262	253,490

(d) Pricing policies

Pricing for related party transactions are primarily based on the "comparable uncontrolled price" method in accordance with the Law "On Transfer Pricing", dated 5 July 2008 and Rules (procedures) of Pricing of Natural Uranium Concentrate (U308), approved by the Government №74, dated 3 February 2008.

43. SUBSEQUENT EVENTS

In February 2014 the Sole shareholder of JSC "NAC "Kazatomprom" and the Sole participant of LLP "Gornorudnaya Company" approved the Transfer Act on reorganization of JSC "NAC "Kazatomprom", by means of take-over of LLP "Gornorudnaya Company". All rights and duties of LLP "Gornorudnaya Company" are transferred to JSC "NAC "Kazatomprom" in accordance with the Transfer Act.

On January 29, 2014 Supervisory Board of MAEK-Kazatomprom LLP (100% subsidiary of the Group) made preliminary decision to sell its entire shareholdings in JSC Aktaugasservice in favour of JSC KazTransGas for 1.2 billion tenge. This decision is under consideration of the Board of Directors of JSC NAC Kazatomprom.

In January 2014 the Company received a short term loan in the amount of USD 50 million under the credit line of Mizuho Nederland NV Bank.

On February 11, 2014 the National Bank of the Republic of Kazakhstan devalued tenge. As a result, on February 12, 2014 the market exchange rate of tenge for 1 US dollar fell to 184.55, i.e. about 19%. To prevent destabilisation of the financial market and the economy as a whole, the National Bank plans to set a corridor of fluctuations of the tenge against the US Dollar in the range of 182-188 tenge for 1 US Dollar. As of February 28, 2014 the official exchange rate of tenge to US dollar was 184.06 tenge. However, there is uncertainty about the exchange rate of tenge and future actions of the National Bank, as well as the influence of these factors on the economy of Republic of Kazakhstan.

The Company's management believes that the devaluation of national currency will not lead to deterioration of the financial situation of the Group, as the majority of the Group's products exported. According to preliminary calculations, the growth rate against the USD will lead to higher revenue side, the minor increase in expenditures and a significant increase in operating profit.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management of the Group and authorized for issue on 06 March 2014.