

**JSC National Atomic
Company Kazatomprom**

Unconsolidated Financial Statements
for the year ended 31 December 2013

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNCONSOLIDATED FINANCIAL STATEMENTS 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 in relation to the unconsolidated financial statements of JSC National Atomic Company Kazatemprom (hereinafter the "Company").

Management of the Company is responsible for the preparation of the unconsolidated financial statements of the Company that present fairly the financial position of the Company as of 31 December 2013, and the results of its operations, cash flows and changes in shareholder's equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the unconsolidated 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 Company's unconsolidated financial position and financial performance;
- making an assessment of the Company'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 Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the unconsolidated financial position of the Company, and which enable them to ensure that the unconsolidated financial statements of the Company 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 Company; and
- preventing and detecting fraud and other irregularities.

The unconsolidated financial statements of the Company for the year ended 31 December 2013 were approved by management on 6 March 2014.

On behalf of the management of the Company:


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 AUDITOR'S REPORT

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

We have audited the accompanying unconsolidated financial statements of JSC National Atomic Company Kazatomprom (hereinafter "the Company"), which comprise the unconsolidated statement of financial position as at December 31, 2013, and the unconsolidated statements of profit or loss and other comprehensive income, statement of changes in equity and 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 Unconsolidated Financial Statements

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

Auditor's Responsibility

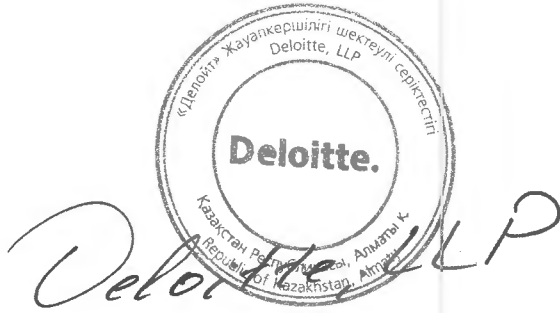
Our responsibility is to express an opinion on these unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements.

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

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and its 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
Almaty, Republic of Kazakhstan



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

A handwritten signature of Nurlan Bekenov.

Nurlan Bekenov
General Director
Deloitte, LLP

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

	Notes	2013 '000 KZT	2012 '000 KZT
Revenue	6	166,254,665	198,936,524
Cost of sales	7	(141,988,095)	(180,311,832)
Gross profit		24,266,570	18,624,692
Distribution expenses	8	(1,814,156)	(1,315,399)
Administrative expenses	9	(11,054,623)	(6,706,469)
Financial income	10	32,026,137	58,113,854
Financial expenses	10	(6,330,223)	(5,680,827)
Other income	11	1,194,561	330,225
Other expenses	12	(33,763,661)	(545,074)
Profit before income tax		4,524,605	62,821,002
Income tax expense	14	(1,661,579)	(3,459,558)
PROFIT FOR THE YEAR		2,863,026	59,361,444
Other comprehensive income for the year, net of income tax:			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,863,026	59,361,444

These unconsolidated 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 9-61 form an integral part of these unconsolidated financial statements.
Independent auditors' report is on page 2-3.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	31.12.2013 <u>'000 KZT</u>	31.12.2012 <u>'000 KZT</u>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	15	4,286,174	1,104,493
Intangible assets	16	616,136	387,356
Mine development assets	17	28,046,591	4,127,681
Exploration and evaluation assets	18	4,600,649	-
Mineral rights	19	1,698,890	574,144
Investments in subsidiaries	20	87,385,719	80,633,565
Investments in joint ventures	21	17,078,135	2,676,451
Investments in associates	22	13,662,067	6,230,994
Other investments	23	67,039,366	67,039,366
Deferred tax assets	24	1,500,574	722,884
Trade and other receivables	26	6,950,561	7,443,922
Other non-current assets	27	2,062,399	2,431,836
VAT receivable	28	-	2,858,338
Loans to related parties	30	24,999,827	25,856,796
Restricted cash	32	2,084,124	1,948,103
Total non-current assets		<u>262,011,212</u>	<u>204,035,929</u>
<i>Current assets</i>			
Inventories	25	30,451,528	24,177,964
Loans to related parties	30	6,926,558	1,112,247
Trade and other receivables	26	20,403,860	63,982,963
Long term assets held for sale		57,842	667,843
Other assets	27	3,193,191	13,732,157
Assets held for the benefit of the controlling party	29	-	22,800,818
VAT receivable	28	24,077,563	19,892,963
Prepaid income tax		-	769,369
Cash and cash equivalents	31	4,380,688	22,126,643
Total current assets		<u>89,433,388</u>	<u>169,262,967</u>
Total assets		<u>351,444,600</u>	<u>373,298,896</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

	Notes	31.12.2013 '000 KZT	31.12.2012 '000 KZT
EQUITY AND LIABILITIES			
<i>Equity and reserves</i>			
Share capital	33	36,692,362	36,692,362
Foreign currency translation reserve		(1,599,313)	(1,599,313)
Retained earnings		173,613,866	178,388,082
Total equity		208,706,915	213,481,131
<i>Non-current liabilities</i>			
Trade accounts payable	36	264,755	259,808
Loans and borrowings	35	77,290,284	76,718,530
Other accounts payable	37	1,688,664	1,679,295
Employee benefit obligations		148,298	-
Provisions	39	11,205,107	558,970
Other financial liabilities	40	2,210,041	376,588
Total non-current liabilities		92,807,149	79,593,191
<i>Current liabilities</i>			
Loans and borrowings	35	1,695,975	1,664,768
Trade accounts payable	36	43,504,029	41,803,598
Other accounts payable	37	194,944	11,858,935
Accrued liabilities	38	1,173,097	1,167,161
Tax liabilities	34	2,133,507	842,995
Income tax liabilities		718,331	-
Provisions	39	-	22,800,818
Employee benefit obligations		84,933	-
Other financial liabilities	40	425,720	86,299
Total current liabilities		49,930,536	80,224,574
Total liabilities		142,737,685	159,817,765
Total equity and liabilities		351,444,600	373,298,896

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

Shkolnik Y.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 9-61 form an integral part of these unconsolidated financial statements.
Independent auditors' report is on page 2-3

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM


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

	2013 '000 KZT	2012 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	224,031,991	190,334,584
Interest received	1,560,258	884,674
Payments to suppliers and employees	(185,768,104)	(211,029,983)
Cash flow from operations	39,824,145	(19,810,725)
Income tax paid	(4,197,110)	(2,551,431)
Interest paid	(4,816,045)	(4,744,402)
Net cash generated by/(used in) operating activities	30,810,990	(27,106,558)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	7,049	103,894
Dividends received	39,179,053	47,347,067
Acquisition of subsidiaries	-	(70,882)
Redemption of term deposits	-	21,140,573
Repayment of loans by subsidiaries	1,800,000	3,075,000
Placement of term deposits	(125,281)	(119,078)
Contribution to charter capital of associates and subsidiaries	(18,985,969)	(9,450,750)
Acquisition of property, plant and equipment	(664,598)	(1,051,728)
Acquisition of mine development assets	(12,125,285)	(1,649,060)
Acquisition of intangible assets	(210,669)	(113,466)
Sales of equity instruments of other organizations	1,536	-
Contribution to charter capital of jointly controlled entity	(11,973,830)	-
Loans given to related parties	(5,351,606)	(15,654,177)
Other	(10,740)	(8,496)
Net cash (used in)/generated by investing activities	(8,460,340)	43,548,897
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of assets held for the benefit of the controlling party	-	(4,004,552)
Repayment of borrowings	(1,143,919)	(1,119,562)
Payment for extinguishment of financial liability (refer to Note 42)	(19,972,920)	-
Dividends paid	(19,387,906)	(11,750,664)
Net cash used in financing activities	(40,504,745)	(16,874,778)
Net decrease in cash and cash equivalents	(18,154,095)	(432,439)
Cash and cash equivalents at the beginning of the year (Note 31)	22,126,643	22,216,237
Effect of exchange rate fluctuations on cash and cash equivalents	408,140	342,845
Cash and cash equivalents at the end of the year (Note 31)	4,380,688	22,126,643

These unconsolidated 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

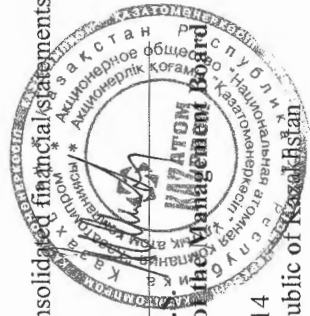
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

'000 KZT	Share capital	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2012	36,692,362	(1,599,313)	142,598,873	177,691,922
Total comprehensive income for the year	-	-	59,361,444	59,361,444
Dividends declared	-	-	(23,501,328)	(23,501,328)
Other distributions	-	-	(70,907)	(70,907)
At 31 December 2012	36,692,362	(1,599,313)	178,388,082	213,481,131
At 31 December 2013	36,692,362	(1,599,313)	173,613,866	208,706,915
Total comprehensive income for the year	-	-	2,863,026	2,863,026
Dividends declared (Note 33)	-	-	(7,637,242)	(7,637,242)

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


Shkolnik V.
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 9-61 form an integral part of these unconsolidated financial statements. Independent auditors' report is on page 2-3.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

1. BACKGROUND

(a) Organizational structure and operations

JSC National Atomic Company Kazatomprom (hereinafter the "Company") is a Kazakhstan joint stock Company 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 JSC "Fund of National Prosperity "Samruk-Kazyna" (hereinafter 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 principal activities are production of uranium reserves, processing and sale of uranium products.

The Company's products are sold in Kazakhstan as well as exported outside of Kazakhstan.

The Government Decree of the Republic of Kazakhstan № 620 "On reorganization of the joint stock company "National Atomic Company "Kazatomprom" was issued on 18 June 2013, and the decision of the Ultimate Shareholder of JSC "NAC" Kazatomprom "- Board of" Samruk-Kazyna" "On determining the order of the reorganization of JSC "NAC "Kazatomprom " by merging a subsidiary "LLP Gornorudnaya Company" (hereinafter the "Company") with JSC "NAC "Kazatomprom" was made on 22 July 2013.

In November 2013 addendum to subsoil use contract was signed, where subsoil use rights were transferred from Partnership to the Company. The Company acquired all assets related to contractual activity of fields, including mine development assets, exploration and evaluation assets, and mineral rights (refer to Note 17, 18 and 19).

(b) Operating environment

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). IAS 27 allows preparation of separate financial statements.

The Company prepares consolidated financial statements, which include the financial statements of its subsidiaries (further – "Group"). The Company publishes the consolidated financial statements on www.kazatomprom.kz. These separate unconsolidated financial statements should be read in conjunction with the consolidated financial statements.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

(b) Going concern

These unconsolidated 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 within the foreseeable future.

(c) Basis of measurement

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

(d) Presentation and functional currency

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

The tenge is not a 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 fixed 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 the cross-rates to the US Dollar ("USD" or "US\$") in accordance with the quotations received from "REUTERS".

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

The functional currency of the Company is KZT.

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

In the application of the Company's accounting policies, which are described in Note 3, management 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 Company's reported profit and loss and financial position.

(i) Income Taxes

The Company is subject to income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by tax authorities. Taxes are subject to review and investigation by various levels of 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 Company 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 unconsolidated 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.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

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.

(ii) Uranium reserves

Uranium reserves are a critical component of the Company's projected cash flow estimates that are used to assess the recoverable amounts of assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Company 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 of 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 mine development assets

The Company's mine development assets are depreciated over the respective life of the mine using the unit-of-production method based on the ore reserves. Any changes to the ore reserves will have 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 Company 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 Company to make estimates regarding the Company's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, 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) Environmental protection and reclamation of mine sites

The Company is subject to a number of environmental laws and regulations. The estimates of the Company's liability for future site restoration costs is based upon management's understanding of the Company's legal, contractual and constructive obligations. The provision for reclamation of mine sites is based upon management's estimate of the total cost of restoration which is discounted to its net present value. The estimate of total costs requires management to make a number of assumptions including the level of reclamation work required 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.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

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

(vi) Sale date of Semyzbay-U LLP

Note 42 describes the circumstances surrounding the Company's sale of a 49% interest in Semyzbay -U LLP. In view of the extent of regulatory approvals obtained for this transaction and the legal registration of Sino – Kaz Company as a shareholder in the Semyzbay -U LLP prior to 31 December 2008, management concluded that the sale was substantively completed in 2008 and, accordingly, recorded the transaction in that year. Final Kazakhstan government approval for the sale was received on 30 May 2013.

The recording of the sale transaction in the year ended 31 December 2008 is a matter of significant judgment.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

(a) Recognition and measurement

Upon initial recognition, plant and equipment are measured at cost or at deemed cost. The actual value of property, plant and equipment at January 1, 2005, the date of transition to IFRS, was determined by reference to its fair value at that date.

Subsequently, property, plant and equipment are recorded at cost, less accumulated depreciation, depletion and impairment losses. The value of property, plant and equipment includes the cost of materials, direct labor and an appropriate share of production overheads.

When fixed assets are the subject of large-scale technical inspection, costs are recognized in the carrying value of fixed assets as a replacement, subject to the recognition criteria set out in IAS 16.

Recognition of property, plant and equipment is derecognised upon disposal or in case when future economic benefits arising from its use or disposal is no longer expected. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the net book value of the asset) is included in profit or loss in the period in which the asset is derecognized.

Cost comprises of the purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and bringing it into working condition for its intended purpose. The initial cost of property, plant and equipment includes the cost of materials, direct labor and a proportion of production overheads.

(b) Subsequent costs

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset only when it is probable that the Company will have economic benefits from extracting and its cost can be measured reliably. The carrying amount of the replaced part is written off. All other repairs and maintenance are charged to the profit and loss for the period as incurred.

(c) Depreciation, except mining costs

Property, plant and equipment in addition to mining assets primarily include the following classes of fixed assets, which are amortized by straight-line method over the following estimated useful lives:

- | | |
|----------------------------|----------------|
| • Buildings and facilities | 10 - 45 years; |
| • Machinery and equipment | 3 - 5 years; |
| • Vehicles | 3 - 10 years; |
| • Other | 3 - 20 years. |

The residual value of an asset, the useful life and depreciation method are reviewed, and adjusted if necessary at the end of each financial year.

The land is not depreciated.

3.2 Mine development assets

(a) *The cost of acquiring mineral rights (intangible assets)*

Costs of acquiring mineral rights (exploration and production) include signature bonuses and historical costs, mandatory spending on environmental and social programs and are capitalized in intangible assets, as the rights to subsurface use in the exploration and evaluation stage. Similar costs incurred prior to obtaining the right to use subsurface resources are capitalized under exploration and evaluation only if there is reasonable certainty that the corresponding right will be received by the Company. Cost accounting for the acquisition of mineral rights and mining is carried out in the context of contracts. Each object is tested annually for impairment. If no future work is planned on the facility, the remaining balance of the cost of acquisition of subsoil use rights is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), the right to extract in the exploration and evaluation stage are translated into a subclass - the right to extract in development and production.

(b) *Cost of exploration and evaluation (fixed assets)*

Cost of exploration and evaluation include geological and geophysical costs, costs directly associated with well exploration, mine development work, cost of site restoration, ion exchange resin, stripping, administrative and other costs associated with the assessment, which can be attributed to a particular field. Such costs include salaries, materials and fuel, drill costs and payments made to contractors. Cost of exploration and evaluation is capitalized as fixed assets as a separate subclass of mining assets, records are maintained in the context of contracts, are not depreciated. All capitalized costs are subject to technical, commercial and management review at least once a year, in order to confirm the intention of commercial development, or otherwise extract value from the discovery. Otherwise, the costs are expensed. When the availability of reserves of mineral resources is proven and the decision to continue development is received, the relevant expenditure is transferred to a subclass of development costs (also as part of mining assets). Before transferring capitalized exploration and evaluation costs to a subclass, such assets are subject to mandatory testing for impairment. Expenditure on social programs and education are capitalized as exploration and evaluation assets for actual expenses up to the amount approved in the annual work program.

(c) *Development costs (fixed assets)*

Development costs include previously capitalized and reclassified, by residual value at the beginning of the development, costs of exploration and evaluation, the cost of drilling wells, regardless of the results of drilling, costs for construction of landfills, costs for provision of ground processing facilities necessary for production, collection and preparation of mineral resources in the fields; other costs incurred in the organization of commercial production at the fields; capitalized discounted costs for the conservation and restoration of well sites, ion exchange resin and other expenses. Development costs are capitalized as fixed assets (mining assets) and are recorded in the context of contracts.

The Company provides capitalized costs on acquiring mineral rights, cost of exploration and evaluation, development costs as separate items in the balance sheet of the financial statements.

(d) *Depreciation of mining assets (property, plant and equipment and intangible assets)*

Mining assets are amortized using the units of production method of depreciation on the actual production including losses from the beginning of production in the fields. Acquisition of rights for subsoil use, including the discounted costs on output fields of operation are depreciated on total proved reserves since the beginning of production in the fields; during the exploration and development stage before extraction, depreciation is not counted. The remaining field development costs are amortized according to proved reserves of mining assets (plant and equipment and intangible assets).

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

3.3 Intangible Assets

(a) *General provisions and initial recognition*

Upon initial recognition, intangible assets are acquired separately and recognized at buying cost. The cost of intangible assets acquired in a business combination is the fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Intangible assets that are created on their own, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the period in which the expenses are incurred. The useful life of the assets can be both limited and unlimited. Intangible assets with finite useful lives are amortized over the life period and assessed for impairment when there is an indication that the intangible asset may be impaired. Amortization period and the amortization method for intangible assets with finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected amount of future economic benefits from an intangible asset are accounted by changing the amortization period and method, and considered as changes in accounting estimates. Amortization expense for intangible assets with infinite life is recognized in profit or loss in the expense category of the intangible asset. Intangible assets with indefinite useful life are not amortized, but tested for impairment annually or when indicators of impairment exist and, if necessary, are written off to the recoverable amount.

(b) *Subsequent expenditure*

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense, unless:

- 1) there is likelihood that these costs will enable the asset to create future economic benefits beyond the originally defined standards, and
- 2) these costs can be reliably measured and attributed to the assets.

(c) *Amortization of intangible assets*

The depreciable amount of intangible assets with finite useful life is charged systematically over the best estimate of the useful life. The depreciable amount of an asset is determined as the difference between cost and the expected residual value.

For financial reporting purposes, the Company uses the following useful lives for the main categories of intangible assets:

- | | |
|------------|---------------|
| • Licenses | 3 - 20 years; |
| • Software | 1 - 14 years; |
| • Other | 2 - 15 years. |

Subsoil use rights, including discounted costs on output of operating fields, are amortized from the commencement of commercial production by the production method according to the actual production on the basis of total proved reserves.

3.4 Financial assets and liabilities

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

All regular purchases or sales of financial assets are recognized on the date of transaction. Conventional buy or sell – are purchase or sale of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, 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.

(b) 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") for the year, which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets 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.

(c) 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 as at FVTPL.

(d) 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 Company 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 Company'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.

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

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

(e) Available for sale financial assets

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value that can be reliably measured. The Company 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. 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 the investments revaluation reserve 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 unconsolidated 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 the investments revaluation reserve is reclassified to profit or loss for the year.

Dividends on AFS equity instruments are recognized in the unconsolidated statement of comprehensive income when the Company'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 balance sheet date. The foreign exchange gains and losses that are recognized in the unconsolidated 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.

(f) 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.

(g) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all of the risks and rewards of ownership of a transferred financial asset, the Company 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.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company 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 Company retains control), the Company 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.

(h) 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.

(i) 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 Company are recognized at the proceeds received, net of direct issue costs.

(j) 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.

(k) Derecognition of financial liabilities

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

(l) 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 balance sheet date. The resulting gain or loss is recognized in the unconsolidated 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 unconsolidated 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.

(m) 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, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at FVTPL.

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

3.5 Inventories

Inventories - are assets held for sale in the ordinary course of business, or are in the process of production for such sale, or are materials or supplies to be consumed in the production process or the provision of services.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle. Cost of finished goods and work in progress includes the cost of raw materials and labor costs of production workers and other direct costs and related production overheads (based on normal operating capacity) and excludes borrowing costs. Inventories include goods purchased and held for resale. For example, goods purchased or land and other property held for resale. Inventories also include finished or unfinished products issued by the Company, as well as raw materials intended for use in the production process or the provision of services.

3.6 Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(a) Decommissioning liabilities

Decommissioning provision is recognized in full on a discounted basis when:

- (i) the Company has a present obligation to dismantle and transport equipment or mechanism and site restoration, which was equipped,
- (ii) it is probable that to settle the obligation an outflow of economic benefits will be required; and
- (iii) reliable reserve estimate can be made. The amount recognized is the present value of estimated future expenditure determined in accordance with local conditions and requirements. In addition, an amount equivalent to the size of the reserve is included in the cost of the related asset.

Change in estimate of the existing decommissioning provision, which was the result of changes in the estimated timing or amount of outflow of resources, embodying economic benefits required to settle the obligation or a change in the discount rate is taken into account in such a way that:

- 1) changes in reserve are added to or deducted from the cost of the related asset in the current period;
- 2) the amount deducted from the cost of the asset shall not exceed its carrying amount. If reduction of reserve exceeds the carrying amount of the asset, then the excess is recognized immediately in profit or loss, and
- 3) if the adjustment results in an increase in value of the asset, the Company considers whether it is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such a measure, the Company performs impairment testing for an asset by estimating its recoverable amount and recognizes an impairment loss in the income statement.

(b) Other reserves

Provisions are recognized in the financial statements when:

- (i) the Company has a present (legal or due to past practice) obligation as a result of past events,
- (ii) it is probable that to settle the obligation there will be an outflow of resources embodying economic benefits, and
- (iii) a reliable estimate can be made of the obligation. When the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is certain.

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

If the effect of the time value of money is material, 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, where appropriate, the risks and uncertainties surrounding the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as a finance cost.

3.7 Employee Benefits

Employee benefits include:

a) Short-term employee benefits, the payment of which is expected in full before the expiration of twelve months after the end of the annual period in which the employees render the related service. The Company recognizes undiscounted amount of short-term employee benefits to be paid in exchange for services rendered by the employee.

b) Post-employment employee benefits.

In accordance with the Law of the Republic of Kazakhstan "On Pension Provision in the Republic of Kazakhstan", effective from 1 January 1998, all employees of the Company are entitled to a guaranteed pension in the presence of seniority as of 1 January 1998, in proportion to seniority. Also, pension payments from pension funds due to individual pension savings, resulting from the legislation of compulsory pension contributions of employees in the amount of 10% of their income and other benefits in accordance with the terms of the collective agreement of the Company.

Post-employment activities in addition to pensions also include other post-employment benefits such as pension plans and defined contribution pension plans with defined benefit plans.

Defined contribution plan – is a legal or constructive obligation arising from the practice of the Company, limited to the amount which the Company is obliged to pay into a separate fund.

Defined benefit plans are unfunded. Company's obligation to pay the employee benefits is to provide a specified amount of payments to employees, while the actuarial and investment risks are transferred to the Company. As a consequence, the amount of expense recognized in respect of the pension plan with defined benefit may not be equivalent to the amount of contributions for this period.

3.8 Revenue

Proceeds from the sale of goods are recognized at the time the Company transfers to the buyer the significant risks and rewards of ownership of goods, normally when the goods are shipped. If the Company undertakes to deliver goods to a specified location, revenue is recognized at the time of transfer of the goods to the buyer at the destination.

Revenue from services is recognized in the accounting period in which the services are rendered, based on the degree of completion of the specific transaction, assessed in proportion to the actual service provided to the total services to be provided under the contract.

Revenue is recognized net of VAT and discounts.

Revenue is measured at fair value of the consideration received or receivable. If it is not possible to estimate reliably the fair value of goods received in a barter transaction, the revenue is measured at the fair value of goods or services.

Interest income is recognized as income using the effective interest method.

Dividends are recognized when the shareholder's right to receive payment is set.

3.9 Cost

Expenses are recognized as incurred and recognized in the unconsolidated financial statements of the Company on an accrual basis in the period to which they occurred.

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

Costs include expenses necessary to generate income from sales (expenses included in cost), general and administrative expenses, selling expenses, financial and other expenses (losses) arising in the ordinary course of the Company.

3.10 Impairment of Assets

At each reporting date management assesses whether there is any indication of impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the highest value of: fair value less costs and value of an asset. The carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss in excess of the carrying value of the asset over its recoverable amount. If there is a change in the estimates, resulting in increased asset's recoverable amount, an impairment loss recognized for an asset in prior years is reversed.

3.11 Share capital

Share capital in the balance sheet is classified under the following items :

- 1) share capital;
- 2) share premium;
- 3) additional paid-in capital;
- 4) investment revaluation reserve, available- for-sale;
- 5) foreign exchange reserve;
- 6) hedging reserve;
- 7) share capital reserve;
- 8) retained earnings (accumulated losses);

Share capital - is the amount of contributions from shareholders at a nominal value of outstanding shares. Share capital is recognized at the nominal value of shares, net of debt founders to share capital and the nominal value net of treasury shares held by the shareholders. Proceeds from the placement of shares is not recognized in profit or loss and is presented in the financial statements as a change in equity.

Share premium - the excess amount of compensation coming from shareholders for participation in the capital over the nominal value of the shares in the formation of the authorized capital of the Company (during establishment and subsequent increase of authorized capital) due to placement of shares at a price above par value.

Additional paid-in capital - represents the value of assets or services rendered or transferred to the Company 's shareholders without placement, or transferred on account of future share issues.

Foreign exchange reserve - arises from the translation of the results and financial performance of the subsidiary, whose functional currency is different from the functional currency of the Company. Foreign exchange reserve is transferred to profit and loss account when it is realized on disposal of a subsidiary through sale, through sale of assets, the return of contributions to the share capital or total or partial liquidation of the subsidiary.

Investment revaluation reserve - is formed by the revaluation of financial assets available for sale, at fair value at the balance sheet date .

Hedging reserve is formed from the results of an effective hedge. Company takes into account the results of the effective capital as cash flow hedges and net investment in a foreign operation.

3.12 Investments in subsidiaries, jointly-controlled entities and associates

- separate financial statements - is to represent the company's statement, which accounts for investment based on the direct equity interest rather than the results and net assets presented in the statements of the investee.
- in preparing the separate financial statements, the Company takes into consideration the investments in subsidiaries, joint ventures and associates, not classified as held for sale at cost less amortization. The Company uses the same account for all investment categories.

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

- disposal of subsidiaries within the group of the Company's separate financial statements of the Company are recorded at book value.
- the Company recognizes dividends from subsidiaries, joint ventures and associated companies in the income statement in the separate financial statements, after determining the right to receive dividends.

3.13 Foreign currency transactions

The functional currency of the Company and the Company's subsidiaries included in the financial statements is the currency of the prevailing economic environment in which the Company and the subsidiaries of the Company operate. The functional currency of the Company and the Company's presentation currency is the national currency of the Republic of Kazakhstan - tenge.

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the Kazakhstan Stock Exchange (KASE) on the respective balance sheet date. Gains and losses arising from currency transactions of monetary assets and liabilities are recognized in profit or loss. Translation of year-end rate does not apply to non-monetary balance sheet items measured at historical cost. Non-monetary balance sheet items measured at fair value in foreign currency, including equity investments, are translated using exchange rates of the fair value date. Effect of exchange rate fluctuations on the change in fair value of non-monetary items is recognized in profit or loss from changes in fair value.

Restatement of balance sheet and income statement of the Company (the functional currency is not the currency of a hyperinflationary economy) into presentation currency is as follows:

- 1) Assets and liabilities for each balance sheet presented are translated at relevant balance sheet date;
- 2) Income and expenses in the income statement , cash flows for each of the periods presented are translated at the exchange rate on the day of operation or using the average exchange rate, if the last provides a satisfactory approximation of the cumulative effect of actual rates;
- 3) Equity items are translated at historical exchange rates at the dates of transactions, and
- 4) All resulting exchange differences are recognized in other comprehensive income.

During sale of a subsidiary, liquidation, distribution of share capital or abandonment of all, or part of, the exchange differences recognized in other comprehensive income are transferred to profit or loss.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate of the balance sheet date.

3.14 Guarantees

When concluding guarantee contracts to ensure the solvency of subsidiaries, associates and jointly controlled entities of the Group or other related parties, the Company considers these contracts as contingent contracts and accounts for them as such. In this regard, the Company considers the contract guarantees as a contingent liability until payment under the respective guarantee is fulfilled.

3.15 Income tax

Income tax comprises of current tax calculated from taxable income, as well as deferred taxes. Income tax is recognized in profit or loss, except the volume in which it relates to items included in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or equity, respectively.

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

Deferred tax is calculated for corporate income tax and EPT.

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial statements prepared in accordance with IFRS and the tax bases of assets and liabilities as defined for tax purposes.

Deferred income tax assets and liabilities are calculated at tax rates that apply to the period when they were implemented / used as asset or liability, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date. Deferred tax is accrued on excess profits of temporary differences on assets and liabilities related to subsoil use contracts, using the expected rate of excess profit tax payable under the contracts.

Deferred income tax in respect of deductible temporary differences and carry-forward of tax losses are recognized only if it is probable that future taxable profit, which may be reduced by the amount of such deductions. Deferred income tax assets are reduced to the extent which is no longer probable for realization of the related tax benefit.

Value Added Tax (VAT)

VAT related to sales is payable to the budget of the Republic of Kazakhstan for the shipment of the goods or services. VAT paid on the acquisition of goods and services (except for VAT on non-residents), can be credited with the VAT payable on receipt of a tax invoice from the supplier. Tax legislation permits the payments to the budget for VAT on a net basis. Accordingly, the VAT on sales and acquisitions, calculations on which were not performed at the reporting date are recognized in the balance sheet on a net basis. Recoverable VAT is classified as long-term if its settlement is not expected within one year from the balance sheet date.

3.16 Social assets to be acquired or the creation of which is taken by the owner/shareholder

When a decision on the acquisition of social objects is not made by the Company's management, but by the owner/shareholder at its discretion and has prescriptive, such acquisitions are considered to be accrued to the owners/shareholders. At the same time, the Company does not receive any economic benefits (direct or potential) from the acquisition of social objects due to the decision of owner/shareholder. Costs of acquiring or creating such objects are recorded in the statement of changes in equity as distribution (use) of retained earnings. Maintenance costs of such facilities are recognized in profit or loss as incurred.

3.17 Acquisition of assets upon reorganization of companies under common control

Acquisition of assets upon reorganization including companies under common control represents such a merge, in which all companies are ultimately controlled by the same party.

Assets and liabilities of a subsidiary, transferred under such operations, are recorded at net book value of transferring party and recognized at corresponding value in the financial statement of the receiving parties.

ADOPTION OF NEW AND REVISED STANDARDS

Standards adopted with no material effect on the unconsolidated 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 International Accounting Standards Board (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.

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

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.

Impact of the application of IFRS 10 *Consolidated Financial Statements*

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.

Management reconsidered classification of investments in subsidiary LLP Semyzbay-U in accordance with IFRS 10. Management concluded that investments in LLP Semyzbay-U classified as a subsidiary in accordance with IFRS 10, shall be classified in accordance with IFRS 11 as joint ventures and shall be recognized by equity method.

No significant impact resulted from the application of IFRS 10.

Impact of the application of IFRS 11 *Joint Arrangements*

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.

No significant impact resulted from application of IFRS 11.

Impact of the application of IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

No significant impact resulted from application of IFRS 12.

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..

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. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. 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.

IAS 19 *Employee Benefits* (as revised in 2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

No significant impact resulted from application of IAS 19 on unconsolidated financial statement.

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> ²
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> ²
Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities</i> ¹
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	“Impairment of assets” ¹
Amendments to IAS 39	“FI: recognition and measurement” ¹
IFRIC 21	“Levies” ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IFRS 9 *Financial Instruments*²

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Company expects that the application of IFRS 9 in the future may have an impact on the amounts reported in respect to the Company's financial assets and financial liabilities.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The Company expects that the application of IAS 32 in the future may have an impact on the amounts reported in respect to the Company’s financial assets and financial liabilities.

4. DETERMINATION OF FAIR VALUES

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

(a) Investments in equity 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 Company 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 Company 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 Company 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 accounts receivable

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 trade and other receivables are carried at cost less impairment provision of doubtful debts which approximates fair value due to the short-term nature of the assets.

(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.

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

5. RECLASSIFICATIONS

In order to better reflect the nature of the Company's assets and liabilities, the Company reclassified certain items in the unconsolidated statement of financial position. The Company 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.

Effect of changes

	2012 (as previously reported) '000 KZT	Reclassification '000 KZT	2012 (as reclassified) '000 KZT
ASSETS			
Non-current assets			
Advances paid and other non-current assets	12,734,096	(12,734,096)	-
Accounts receivable	-	7,443,922	7,443,922
Other non-current assets	-	2,431,836	2,431,836
VAT receivable	-	2,858,338	2,858,338
Total non-current assets	12,734,096	-	12,734,096
Current assets			
Trade receivables	63,896,268	(63,896,268)	-
Current receivables	-	63,982,963	63,982,963
Advances paid and other current assets	34,379,658	(34,379,658)	-
Long term assets held for sale	-	667,843	667,843
Other assets	-	13,732,157	13,732,157
VAT Receivable	-	19,892,963	19,892,963
Total current assets	98,275,926	-	98,275,926
LIABILITIES			
Non-current liabilities			
Non-current payables	-	259,808	259,808
Trade accounts payable	259,808	(259,808)	-
Advances paid and other non-current liabilities	1,679,295	(1,679,295)	-
Other non-current liabilities	-	1,679,295	1,679,295
Total non-current liabilities	1,939,103	-	1,939,103
Current liabilities			
Trade accounts payable	41,803,598	(41,803,598)	-
Current payables	-	41,803,598	41,803,598
Advances and other current liabilities	12,701,930	(12,701,930)	-
Other current liabilities	-	11,858,935	11,858,935
Tax liabilities	-	842,995	842,995
Total current liabilities	54,505,528	-	54,505,528

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

6. REVENUE

	2013	2012
	'000 KZT	'000 KZT
Sale of uranium products	165,292,559	198,048,014
Services on contracts	780,403	672,266
Other revenue	181,703	216,244
	166,254,665	198,936,524

7. COST OF SALES

	2013	2012
	'000 KZT	'000 KZT
Materials and supplies	123,044,807	164,173,398
Third party services	14,200,171	12,600,583
Taxes other than income tax	2,689,548	2,195,536
Amortization of mining preparation works	1,629,429	1,071,033
Transportation expenses	189,386	30,429
Rent expenses	142,767	156,151
Amortization of reserve assets	53,380	45,733
Depreciation and amortization	24,615	20,157
Wages and salaries	9,444	7,631
Insurance expenses	2,040	2,407
Social tax and social contributions	1,039	836
Other expenses	1,469	7,938
	141,988,095	180,311,832

8. DISTRIBUTION EXPENSES

	2013	2012
	'000 KZT	'000 KZT
Shipping, transportation and storing	1,553,597	1,095,201
Rent expenses	135,394	115,155
Cargo insurance	38,484	43,455
Advertising and marketing expenses	21,485	29,680
Travel expenses	18,685	16,160
Depreciation and amortization	13,584	10,714
Wages and salaries	4,863	3,949
Materials and supplies	1,234	1,085
Other expenses	26,830	-
	1,814,156	1,315,399

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

9. ADMINISTRATIVE EXPENSES

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Tax penalties	3,550,128	187
Wages and salaries	2,987,549	2,760,239
Research and development	1,439,749	1,340,114
Social care for employees	790,174	727,749
Consulting, audit and information services	777,010	720,854
Rent expenses	598,525	554,277
Other expenses	911,488	603,049
	<u>11,054,623</u>	<u>6,706,469</u>

10. FINANCIAL INCOME AND EXPENSES

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Financial income		
Dividends received and dividends receivable	27,024,529	55,808,053
Revaluation of investments in Semyzbay -U (Note 42)	1,764,761	-
Interest income on term deposits, deposits on demand, and current bank accounts	2,651,383	1,988,029
Unwinding of discount of non-current receivables	304,320	53,779
Other income	281,144	263,993
	<u>32,026,137</u>	<u>58,113,854</u>

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Financial expenses		
Interest paid	5,044,764	4,925,520
Foreign exchange loss	672,673	487,197
Revaluation of financial assets to fair value	369,003	-
Unwinding of discount of provision for liquidation fund	77,950	67,646
Net loss on purchase/sale of foreign currency	19,962	59,234
Other expenses	145,871	141,230
	<u>6,330,223</u>	<u>5,680,827</u>

11. OTHER INCOME

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Reversal of provision on dividends	833,362	-
Income from fines and penalties	307,432	172,664
Profit from disposal of property, plant and equipment	-	59,689
Income from write off of liabilities	-	506
Other income	53,767	97,366
	<u>1,194,561</u>	<u>330,225</u>

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

12. OTHER EXPENSES

	2013 '000 KZT	2012 '000 KZT
Loss on extinguishment of financial liability (refer to Note 43)	19,942,560	-
Impairment loss (refer to Note 20)	7,870,017	6,501
Unrecoverable value added tax	4,393,635	59,137
Sponsorship and charitable donations	1,120,420	244,237
Social sphere expenses	434,936	235,199
Other expenses	2,093	-
	<u>33,763,661</u>	<u>545,074</u>

13. PERSONNEL COSTS

	2013 '000 KZT	2012 '000 KZT
Wages and salaries	2,882,479	2,071,712
Social tax and social contributions	304,242	312,678
	<u>3,186,721</u>	<u>2,384,390</u>

14. INCOME TAX EXPENSE

	2013 '000 KZT	2012 '000 KZT
<i>Current income tax expense</i>		
Current year	680,282	4,011,433
Adjustment of current income tax of prior years	1,682,921	8,284
	<u>2,363,203</u>	<u>4,019,717</u>
<i>Deferred income tax benefit</i>		
Origination and reversal of temporary differences	(701,624)	(560,159)
Income tax expense	<u>1,661,579</u>	<u>3,459,558</u>

The statutory income tax rate in Kazakhstan is 20% in 2013 and 2012.

14. INCOME TAX EXPENSE, CONTINUED

Reconciliation of effective tax rate:

	2013 '000 KZT	%	2012 '000 KZT	%
Profit before income tax	4,524,605	100%	62,821,002	100%
Income tax at statutory tax rate	904,921	20,00%	12,564,200	20,00%
Tax effect of:				
Transfer pricing adjustments	368,503	8.14%	1,830,313	2.91%
Non-deductible expenses	4,673,534	103.29%	218,372	0.35%
Non-taxable income	(5,968,300)	(131.9%)	(11,161,611)	(17.78%)
Adjustment of current income tax of prior years	1,682,921	37.19%	8,284	0.01%
	<u>1,661,579</u>	<u>36.72%</u>	<u>3,459,558</u>	<u>5.50%</u>

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Office appliances and furniture	Vehicles	Other	Construction in progress	Total
'000 KZT							
<i>Cost</i>							
At 1 January 2012	942	334,065	195,983	79,457	418,909	725,373	1,754,729
Additions	-	-	48,780	-	77,452	942,021	1,068,253
Disposals	-	(41,257)	(19,605)	-	(104,050)	(840,330)	(1,005,242)
Transfers	-	-	80,357	-	-	(80,357)	-
At 31 December 2012	942	292,808	305,515	79,457	392,311	746,707	1,817,740
At 1 January 2013	942	292,808	305,515	79,457	392,311	746,707	1,817,740
Additions	5,509	-	63,907	-	38,710	3,325,289	3,433,415
Disposals	-	(270)	(25,523)	-	(26,457)	(397,155)	(449,405)
At 31 December 2013	6,451	292,538	343,899	79,457	404,564	3,674,841	4,801,750
<i>Depreciation</i>							
At 1 January 2012	-	157,588	83,009	46,923	129,033	300,265	716,818
Depreciation charge	-	17,221	44,253	8,687	51,416	-	121,577
Disposals	-	(33,675)	(14,543)	-	(76,930)	-	(125,148)
At 31 December 2012	-	141,134	112,719	55,610	103,519	300,265	713,247
At 1 January 2013	-	141,134	112,719	55,610	103,519	300,265	713,247
Depreciation charge	-	21,085	64,060	8,195	51,597	(299,113)	(154,176)
Disposals	-	(183)	(25,523)	-	(17,789)	-	(43,495)
At 31 December 2013	-	162,036	151,256	63,805	137,327	1,152	515,576
<i>Net book value</i>							
At 31 December 2012	942	151,674	192,796	23,847	288,792	446,442	1,104,493
At 31 December 2013	6,451	130,502	192,643	15,652	267,237	3,673,689	4,286,174

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

16. INTANGIBLE ASSETS

	Licenses	Software	Other	Total
'000 KZT				
<i>Cost</i>				
At 1 January 2012	769	166,102	134,533	301,404
Additions	-	199,956	1	199,957
Disposals	-	(31,562)	-	(31,562)
At 31 December 2012	769	334,496	134,534	469,799
At 1 January 2013	769	334,496	134,534	469,799
Additions	-	308,711	-	308,711
At 31 December 2013	769	643,207	134,534	778,510
<i>Depreciation</i>				
At 1 January 2012	769	55,134	9,228	65,131
Depreciation charge	-	41,698	7,175	48,873
Disposals	-	(31,561)	-	(31,561)
At 31 December 2012	769	65,271	16,403	82,443
At 1 January 2013	769	65,271	16,403	82,443
Depreciation charge	-	72,846	7,085	79,931
At 31 December 2013	769	138,117	23,488	162,374
<i>Net Book Value</i>				
At 31 December 2012	-	269,225	118,131	387,356
At 31 December 2013	-	505,090	111,046	616,136

17. MINE DEVELOPMENT ASSETS

	Field preparation	Site restoration asset	Ion exchange resin	Total
'000 KZT				
<i>Cost</i>				
At 1 January 2012	3,887,004	649,730	-	4,536,734
Additions	1,856,554	-	-	1,856,554
Change in estimates	-	(209,769)	-	(209,769)
At 31 December 2012	5,743,558	439,961	-	6,183,519
At 1 January 2013	5,743,558	439,961	-	6,183,519
Additions	17,769,531	5,443,618	1,818,136	25,031,285
Change in estimates	-	1,636,524	-	1,636,524
At 31 December 2013	23,513,089	7,520,103	1,818,136	32,851,328
<i>Depreciation</i>				
At 1 January 2012	751,689	28,900	-	780,589
Depreciation charge	1,248,436	26,813	-	1,275,249
At 31 December 2012	2,000,125	55,713	-	2,055,838
At 1 January 2013	2,000,125	55,713	-	2,055,838
Depreciation charge	2,638,669	87,693	22,537	2,748,899
At 31 December 2013	4,638,794	143,406	22,537	4,804,737
<i>Net Book Value</i>				
At 31 December 2012	3,743,433	384,248	-	4,127,681
At 31 December 2013	18,874,295	7,376,697	1,795,599	28,046,591

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

In November 2013, the Company acquired assets related to subsoil use contracts including mine development assets, exploration and evaluation assets and mineral rights related to subsoil use contracts of the following fields from Gornorudnaya Company LLP, a related party: Uvanas, East Mynkuduk, Kanzhugan, South Moinkum, Central Moinkum, Zhalpak, North and South Karamurun. The Company also estimated future restoration costs of all mines.

The changes in estimate is due to the recalculation of liquidation costs on annual basis for newly drilled wells and other objects, that are subject to liquidation in the future and those that were not liquidated as of 31 December 2013.

18. EXPLORATION AND EVALUATION ASSETS

'000 KZT	Tangible Assets	Intangible Assets	Total
At 1 January 2013	-	-	-
Additions (Note 17)	3,367,207	1,232,988	4,600,195
Transfer	-	454	454
At 31 December 2013	<u>3,367,207</u>	<u>1,233,442</u>	<u>4,600,649</u>

19. MINERAL RIGHTS

'000 KZT		
<i>Cost</i>		
At 1 January 2012		633,045
Additions		-
At 31 December 2012		<u>633,045</u>
At 1 January 2013		633,045
Additions (refer Note 17)		1,170,310
At 31 December 2013		<u>1,803,355</u>
<i>Amortization</i>		
At 1 January 2012		32,986
Depreciation charge		25,915
At 31 December 2012		<u>58,901</u>
At 1 January 2013		58,901
Depreciation charge		45,564
At 31 December 2013		<u>104,465</u>
<i>Net book value</i>		
At 31 December 2012		<u>574,144</u>
At 31 December 2013		<u>1,698,890</u>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

20. INVESTMENTS IN SUBSIDIARIES

	Country	31.12.2013		31.12.2012	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
DP Ortalyk LLP	Kazakhstan	100%	19,095,824	100%	21,124,874
MAEK Kazatomprom LLP	Kazakhstan	100%	14,033,262	100%	12,769,681
Gornorudnaya Company LLP	Kazakhstan	100%	13,428,709	100%	10,001,053
Kazakhstan Solar Silicon LLP	Kazakhstan	100%	8,839,574	100%	3,486,574
Kazatomprom-Demeu LLP	Kazakhstan	79%	8,497,139	79%	8,497,139
Astana Solar LLP	Kazakhstan	100%	4,805,680	100%	2,543,400
Appak LLP	Kazakhstan	65%	3,797,808	65%	3,797,809
Bailanys NAC LLP	Kazakhstan	100%	3,419,149	100%	1,800,890
SARECO JV LLP	Kazakhstan	51%	2,728,500	51%	2,726,460
MK Kaz Silicon LLP	Kazakhstan	100%	2,559,033	100%	7,258,000
Ulba Metallurgical Plant JSC	Kazakhstan	90.20%	2,433,595	90.20%	2,433,595
Kyzyltu LLP	Kazakhstan	76%	1,266,698	76%	1,266,698
Ecoenergomash LLP	Kazakhstan	100%	1,050,000	100%	1,050,000
Semyzbay -U LLP (refer Note 42)	Kazakhstan	-	-	11%	664,644
Institute of High Technologies LLP	Kazakhstan	100%	926,617	100%	466,617
JV KT Raremetals company LLP	Kazakhstan	51%	382,500	51%	382,500
Kvarz LLP	Kazakhstan	-	-	100%	242,000
JSC Volkovgeologiya	Kazakhstan	65.10%	83,952	65.10%	83,952
Korgan-Kazatomprom LLP	Kazakhstan	100%	20,090	100%	20,090
Kazakhstan Nuclear University LLP	Kazakhstan	100%	17,589	100%	17,589
			87,385,719		80,633,565

MAEK Kazatomprom LLP

In 2013 the Company made an additional contribution to the entity's charter capital of KZT 1,263,581 thousand

Kazakhstan Solar Silicon LLP

In 2012 the entity changed its name to Kazakhstan Solar Silicon LLP (formerly Bergstein Construction LLP).

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

Astana Solar LLP

In 2013 the Company made an additional contribution to the entity's charter capital of KZT 2,262,280 thousand.

Bailanys NAC LLP

In 2013 the Company made an additional contribution to the entity's charter capital of KZT 1,618,259 thousand.

SARECO JV LLP

In 2013 the Company made an additional contribution to the entity's charter capital of KZT 2,040 thousand.

Institute of High Technologies LLP

In 2012 the Company acquired a 50% ownership interest in Institute of High Technologies LLP for KZT 56,098 thousand and made a contribution to its charter capital of KZT 353,703 thousand in accordance with the ownership interest.

In 2013 the Company made an additional contribution to the entity's charter capital of KZT 460,000 thousand

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Kvarz LLP and MK Kaz Silicon LLP

During 2013 Kvarz LLP merged with MK Kaz Silicon LLP. As a result of the merger, the Company's investment in Kvarz LLP of KZT 242,000 thousand was transferred to investment in MK Kaz Silicon LLP. Furthermore, in 2013 the Company made an additional contribution to the entity's charter capital of KZT 900,000 thousand.

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Investments in subsidiaries (LLP Ortalyk and LLP Kvarz KazSilicon)	29,524,874	29,047,518
Less: Impairment loss	(7,870,017)	-
	<u>21,654,857</u>	<u>29,047,518</u>

The key assumptions used in calculating the recoverable amount of investments in LLP Ortalyk:

- Discount rate- 12.08%;
- The long-term growth rate was based on long-term projection of macroeconomic source Global Insight within the range of 2-2.6% (2012: 3%);
- Expected increase in production of uranium products till 2,004 tons by 2023;
- The production levels were agreed with the government approved strategy and agreed to working program;
- The prices have been agreed to independent official source "Ux consulting LLC" published in 4th quarter 2013.

The key assumptions used in calculating the recoverable amount of investments in MK KazSilicon LLP:

- Discount rate- 17.2%;
- The long-term growth rate was based on long-term projection of macroeconomic source Global Insight within the range of 2-2.6% (2012: 3%);
- The prices per kilogram for silicon were taken from long-term sales/purchase agreements.

21. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Country	31.12.2013		31.12.2012	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
JSC COU	Russia	50%	12,891,302	50%	917,472
Karatau LLP	Kazakhstan	50%	1,600,000	50%	1,600,000
JSC Akbastau JV	Kazakhstan	50%	105,000	50%	105,000
JSC Atomic Power Stations Kazakhstan-Russian Company	Kazakhstan	50%	28,000	50%	28,000
CJSC UKR TVS JV	Ukraine	33.33%	22,185	33.33%	22,185
KAS JSC	Germany	50%	2,266	50%	2,266
Geotechnologia KKRUMTs	Kyrgyzstan	-	-	50%	1,528
Semyzbay -U LLP	Kazakhstan	11%	2,429,382	-	-
			<u>17,078,135</u>		<u>2,676,451</u>

JSC COU

On August 23, 2013 the Company made a contribution to charter capital of JSC COU in the amount of RUB 2,591,738 thousand, equivalent to KZT 11,973,830 thousand. This contribution did not lead to a change in ownership interest.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Geotechnologia KKRUMTs

In 2013, the Company sold its 50% share in Geotechnologia KKRUMTs at par value of KZT 1,528 thousand.

Semyzbay -U LLP

In 2008 the company sold 49% of its interest in Semyzbay -U LLP to Sino-Kaz Company (refer Note 43).

Management concluded that control over Semyzbay -U LLP was lost as of June 2013 in connection with which, in the Company's financial statements, starting from July 2013 the investment in this entity ceased to be recorded as an investment in a subsidiary and was reclassified to an investment in a jointly controlled entity.

22. INVESTMENTS IN ASSOCIATES

	Country	31.12.2013		31.12.2012	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Kyzylkum LLP	Kazakhstan	30%	6,592,920	30%	5,251,920
JSC Kaustik	Kazakhstan	40%	6,040,000	-	-
JV IFASTAR	France	49%	425,996	49%	375,923
JSC Zarechnoye JV	Kazakhstan	49.67%	356,581	49.67%	356,581
JV Betpak Dala LLP	Kazakhstan	30%	166,790	30%	166,790
JV KATCO LLP	Kazakhstan	49%	71,021	49%	71,021
JV Inkay LLP	Kazakhstan	40%	8,759	40%	8,759
			<u>13,662,067</u>		<u>6,230,994</u>

Kyzylkum LLP

In 2013 the participants of Kyzylkum LLP made additional contributions to the charter capital of that entity amounting to KZT 4,470,000 thousand, of which the Company's contribution was KZT 1,341,000 thousand. The contributions of the participants were proportionate to their ownership interest, and consequently no change in ownership interest arose as a consequence of this contribution.

JSC Kaustik

On November 13, 2013 the Company acquired 1.6 million shares of JSC Kaustik (40% interest in ordinary shares) for a cash consideration of KZT 6,040,000 thousand.

JV IFASTAR

In 2013 the participants of JV IFASTAR provided additional contributions to the charter capital of that entity for a total amount of EUR 500 thousand, of which the Company's contribution was EUR 245 thousand (equivalent to KZT 50,074 thousand). The contributions of the participants were proportionate to their ownership interest, and consequently no change in ownership interest arose as a consequence of this contribution.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

23. OTHER INVESTMENTS

	31.12.2013 <u>'000 KZT</u>	31.12.2012 <u>'000 KZT</u>
<i>Long-term Investments</i>		
<i>Investments available for sale</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 investments available for sale	<u>12,896</u>	<u>12,896</u>
	<u>67,039,366</u>	<u>67,039,366</u>

Investments in Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) limited.

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"). In addition to the Put Option agreement at the end of 2013 the Company and Toshiba Corporation signed an agreement under which the Company can use the option "put" until 28 February 2018.

The Put Option gives the Company a right to sell shares of 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.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)**
24. DEFERRED TAX ASSETS AND LIABILITIES
(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31.12.2013 '000 KZT	31.12.2012 '000 KZT	31.12.2013 '000 KZT	31.12.2012 '000 KZT	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Property, plant and equipment	4,466	62,929	(358,679)	(118,263)	(354,213)	(55,334)
Loans	141,830	-	-	-	141,830	-
Tax losses recognised	1,080,774	-	-	-	1,080,774	-
Other assets	-	-	(1,230,242)	-	(1,230,242)	-
Accounts receivable	80,996	1,813,813	-	(1,455,316)	80,996	358,497
Accrued liabilities on vacation and bonuses	141,493	174,863	-	-	141,493	174,863
Taxes payable	419,508	161,594	-	-	419,508	161,594
Provisions	2,695,767	160,114	(1,475,339)	(76,850)	1,220,428	83,264
Deferred tax assets and liabilities	4,564,834	2,373,313	(3,064,260)	(1,650,429)	1,500,574	722,884
Reclassification	(3,064,260)	(1,650,429)	3,064,260	1,650,429	-	-
Net Deferred tax assets/liabilities	1,500,574	722,884	-	-	1,500,574	722,884

(b) Movement in temporary differences during the year

	01.01.2013 '000 KZT	Recognized in statement of profit and loss '000 KZT	Recognized in equity '000 KZT	31.12.2013 '000 KZT
Property, plant and equipment	(55,334)	(298,879)	-	(354,213)
Loans	-	141,830	-	141,830
Tax losses recognised	-	1,080,774	-	1,080,774
Other	-	(1,230,242)	-	(1,230,242)
Accounts receivable	358,497	(353,567)	76,066	80,996
Accrued liabilities on vacation and bonuses	174,863	(33,370)	-	141,493
Taxes payable	161,594	257,914	-	419,508
Provisions	83,264	1,137,164	-	1,220,428
Total	722,884	701,624	76,066	1,500,574
	01.01.2012 '000 KZT	Recognized in statement of profit and loss '000 KZT	Recognized in equity '000 KZT	31.12.2012 '000 KZT
Property, plant and equipment and intangible assets	(40,762)	(14,572)	-	(55,334)
Accounts receivable	(210,941)	479,800	89,638	358,497
Other assets	123,340	-	(123,340)	-
Accrued liabilities on vacation and bonuses	96,559	78,304	-	174,863
Taxes payable	114,441	47,153	-	161,594
Provisions	113,790	(30,526)	-	83,264
	196,427	560,159	(33,702)	722,884

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)**

25. INVENTORIES

	<u>31.12.2013</u> <u>'000 KZT</u>	<u>31.12.2012</u> <u>'000 KZT</u>
Finished goods and goods for resale	25,498,957	21,865,739
Work-in-process	4,657,382	2,256,601
Materials and supplies	270,085	30,785
Package and packing materials	17,032	9,976
Spare parts	2,034	3,770
Fuel	6	9
Other materials	6,032	11,084
	<u>30,451,528</u>	<u>24,177,964</u>

26. TRADE AND OTHER RECEIVABLES

	<u>31.12.2013</u> <u>'000 KZT</u>	<u>31.12.2012</u> <u>'000 KZT</u>
Current receivables		
Trade accounts receivable	17,957,759	61,282,309
Receivables from related parties (Note 43)	2,336,325	2,613,959
Other accounts receivables	79,206	17,261
Other current receivables from related parties (Note 43)	30,570	69,434
	<u>20,403,860</u>	<u>63,982,963</u>
Non-current receivables		
Other non-current receivable from related parties (Note 43)	<u>6,950,561</u>	<u>7,443,922</u>

Note 41 discloses information on the Company's exposure to credit and currency risks and the impairment loss on trade accounts receivable.

27. OTHER ASSETS

	<u>31.12.2013</u> <u>'000 KZT</u>	<u>31.12.2012</u> <u>'000 KZT</u>
<i>Current</i>		
Dividends receivable from subsidiaries, JVs and associates (Note 43)	1,713,565	12,746,347
Prepaid expenses	560,946	516,951
Advances paid to related parties for goods and services (Note 43)	383,197	150,517
Receivables from employees	300,489	188,507
Advances paid for goods and services	147,052	109,073
Other current assets	23,632	13,855
	<u>3,135,349</u>	<u>13,732,157</u>
<i>Non-current</i>		
Loans to employees	1,198,615	1,092,966
Dividends receivable from subsidiaries, JVs and associates (Note 43)	812,687	1,083,582
Prepaid expenses	51,097	255,288
	<u>2,062,399</u>	<u>2,431,836</u>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

28. VAT RECEIVABLE

	31.12.2013 <u>'000 KZT</u>	31.12.2012 <u>'000 KZT</u>
<i>Current</i>		
Value added tax receivable	28,401,198	19,952,100
Provision for unrecoverable value added tax	<u>(4,393,635)</u>	<u>(59,137)</u>
	<u>24,007,563</u>	<u>19,892,963</u>
<i>Non-current</i>		
Value added tax receivable	<u>-</u>	<u>2,858,338</u>
	<u>-</u>	<u>2,858,338</u>

29. ASSET HELD FOR THE BENEFIT OF THE 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 has fulfilled all obligations regarding the construction of the Property. In accordance with the decree of Akimat of Astana city, in June 2013 the Company transferred the Property to communal ownership of Astana city. As a result, in 2013 the company has written off the asset and previously accrued liability in the amount of KZT 22,800,818 thousand.

30. LOANS TO RELATED PARTIES

	31.12.2013 <u>'000 KZT</u>	31.12.2012 <u>'000 KZT</u>
<i>Non-current</i>		
Kyzylkum LLP	8,440,754	7,698,391
Baiken-U LLP	6,119,447	5,579,228
Kazakhstan Solar Silicon LLP	4,153,937	5,626,000
Semyzbay -U LLP	3,632,250	4,843,000
MK KazSilicon LLP	1,153,439	1,818,962
Astana Solar LLP	1,500,000	-
Kvarz LLP	<u>-</u>	<u>291,215</u>
	<u>24,999,827</u>	<u>25,856,796</u>
<i>Current</i>		
Kazakhstan Solar Silicon LLP	2,826,968	-
Astana Solar LLP	1,624,507	-
Semyzbay -U LLP	1,321,644	110,894
MK KazSilicon LLP	1,153,439	-
MAEK-Kazatomprom LLP	<u>-</u>	<u>1,001,353</u>
	<u>6,926,558</u>	<u>1,112,247</u>

In 2012 the repayment schedule was revised for loans provided to Kyzylkum LLP and Baiken-U LLP which are for periods up to 2024 and 2022, respectively. The loans are collateralized by property of the borrowers. The total amount of loans receivable as at 31 December 2013 was KZT 14,560,201 thousand (2012: KZT 13,277,619 thousand).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

In September 2012, the Company provided a long term loan to Semyzbay LLP of KZT 4,843,000 thousand for a period of 5 years. The loan is collateralized by property of the borrower.

During November 2012, MAEK-Kazatomprom LLP fully repaid the outstanding balance of its loan and in December 2013 MAEK-Kazatomprom LLP was given a new loan of KZT 1,000,000 thousand with maturity of 1 year. As at 31 December 2013 liability was repaid in full.

In 2012 as part of financing of the investment project "KazPV", loans were provided to subsidiaries of the Company as separate secured credit lines maturing in December 2016:

- Astana Solar LLP, in the amount of KZT 3,000,000 thousand. As at 31 December 2013 the loan payable is KZT 3,124,507 thousand;
- Kazakhstan Solar Silicon LLP, in the amount of KZT 6,980,905 thousand. As at 31 December 2013 the loan payable is KZT 6,980,905 thousand; and
- MK KazSilicon LLP received loan in the amount of KZT 1,818,962 thousand;
- Kvarz LLP, in the amount of KZT 487,916 thousand. As at 31 December 2013 the Company has debt in amount of KZT 2,306,878 thousand due based on this credit line.

Effective interest rate for loans provided to related parties comprised 8.8% (2012 r. : 7.95%).

The «Kaz-PV» project - establishment of production line of solar panels in the Republic of Kazakhstan from local raw materials and transfer of technologies and know-how of French companies and laboratories. The following subsidiaries are implementing the above project: LLP «MK«KazSilicon», LLP «Astana Solar», LLP «Kazakhstan Solar Silicon».

31. CASH AND CASH EQUIVALENTS

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Bank accounts	4,372,492	22,078,037
Petty cash	4,809	45,180
Special bank accounts	3,387	3,426
	<u>4,380,688</u>	<u>22,126,643</u>

32. RESTRICTED CASH

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Supplier related restricted cash	1,690,814	1,680,074
Deposits for site restoration activities	393,310	268,029
	<u>2,084,124</u>	<u>1,948,103</u>

Following a governmental investigation into one of the Company's suppliers, the Company has acted as a depository for the cash balances of a supplier who has been arrested. This is reflected as restricted cash in the unconsolidated statement of financial position and not reflected in the Company's cash flows as it is not part of the Company's operations. The cash balance increased in 2013 due to foreign currency translation differences.

In accordance with the terms of its subsurface use agreements, the Company invests cash in long-term bank deposits to finance future site restoration activities.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

33. EQUITY

(a) Share capital

	<u>Ordinary shares 31.12.2013</u>	<u>Ordinary shares 31.12.2012</u>
Par value	KZT 1,000	KZT 1,000
Number of authorized and issued shares (KZT'000)	<u>36,692,362</u>	<u>36,692,362</u>
End of year, fully paid (KZT'000)	<u>36,692,362</u>	<u>36,692,362</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 Company's IFRS unconsolidated financial statements. In 2013 the Company declared dividends of KZT 7,637,242 thousand. As at 31 December, 2013 the Company had paid dividends of KZT 19,387,906 thousand, including dividends declared for 2012 of KZT 11,858,935 thousand.

34. TAX LIABILITIES

	<u>31.12.2013 '000 KZT</u>	<u>31.12.2012 '000 KZT</u>
Mineral extraction tax	1,984,379	748,310
Social tax	36,254	36,980
Individual income tax	35,639	33,732
Tax withheld at source from non-residents	-	298
Other	<u>77,235</u>	<u>23,675</u>
Total	<u>2,133,507</u>	<u>842,995</u>

35. LOANS AND BORROWINGS

This note discloses information on contractual terms of the Company's loans and borrowings measured at amortized cost.

	<u>31.12.2013 '000 KZT</u>	<u>31.12.2012 '000 KZT</u>
<i>Non-current liabilities</i>		
Bonds	76,426,228	74,740,067
Secured bank loans	<u>864,056</u>	<u>1,978,463</u>
	<u>77,290,284</u>	<u>76,718,530</u>
<i>Current liabilities</i>		
Secured bank loans	1,152,293	1,131,244
Interest payable on bonds	<u>543,682</u>	<u>533,524</u>
	<u>1,695,975</u>	<u>1,664,768</u>
	<u>78,986,259</u>	<u>78,383,298</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Repayment terms

	Currency	Maturity (year)	31.12.2013 Carrying value '000 KZT	31.12.2012 Carrying value '000 KZT
Bonds	USD	2015	76,969,910	75,273,591
Secured bank loan from Mizuho Corporate Bank Ltd.	USD	2015	2,016,349	3,109,707
			<u>78,986,259</u>	<u>78,383,298</u>

The weighted average annual interest rate on loans in 2013 was 6.11% (in 2012: 6.07%).

(a) 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.

(b) Bond covenants

(i) *Negative pledge*

The Company and material subsidiaries thereof, as defined, are restricted from creating, incurring, assuming or suffering to exist any liens, other than permitted liens, 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 ratably 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 at any time when there exists an event of default (a) or at any time when no such event of default or event exists, in an aggregate amount, (b) exceeding 50 per cent of the Company's unconsolidated 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 of KZT 1,507,400 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.

The management of the Company believes that it complies with the covenants as set out above as of 31 December 2013.

In connection with the possible donation of the Company's Property (Note 29) 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 construction and transfer of the Property by the Company.

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

(c) Loans

The Company has a credit line in JSC "Citibank Kazakhstan" (from 2004), where the Company acts as a main borrower. The credit line is used by subsidiaries as co-borrowers. In 2013 the Company did not obtain loans under this credit line.

(d) Collateral

Bank loans are secured by a contract on delivery of goods (uranium concentrate) under the loan agreement with Mizuho Corporate Bank Ltd.

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

Loan covenants

The Company's various loan agreements include covenants with banks, pursuant to which the Company 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 on 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 Company is subject to certain key financial covenants based on the Company's consolidated financial information, such as the debt to equity ratio, debt to EBITDA ratio and debt to net interest ratio.

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

Note 41 discloses the information on the Company's exposure to interest rate and currency risk related to loans and borrowings.

36. TRADE ACCOUNTS PAYABLE

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
<i>Non-current</i>		
Trade payables to third parties	<u>264,755</u>	<u>259,808</u>
<i>Current</i>		
Trade payables to related parties (Note 43)	40,838,937	41,016,326
Trade payables to third parties	1,434,940	767,778
Other payables to related parties (Note 43)	1,218,234	2,564
Other	<u>11,918</u>	<u>16,930</u>
	<u>43,504,029</u>	<u>41,803,598</u>

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

Note 41 discloses the information on the Company's exposure to currency and liquidity risks related to trade accounts payable.

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)**

37. OTHER ACCOUNTS PAYABLE

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
<i>Non-current</i>		
Other payables	1,688,664	1,679,295
<i>Current</i>		
Wages and Salaries payable	94,276	65,738
Advances received from related parties (Note 43)	39,899	-
Pension and social contributions	31,341	25,533
Advances received	29,428	17,000
Dividends (Note 43)	-	11,750,664
	194,944	11,858,935

Note 41 discloses the information on the Company's exposure to the currency risk related to other accounts payable.

38. ACCRUED LIABILITIES

	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Bonus pay accrual	590,977	782,924
Accrued liabilities for services	445,011	253,678
Vacation pay accrual	116,491	91,389
Accrued liabilities for purchases	20,618	39,170
	1,173,097	1,167,161

39. PROVISIONS

'000 KZT	Provision for reclamation of mine-sites	Provision for social object	Total
Balance at 1 January 2012	718,448	22,729,911	23,448,359
Change in the accounting estimate	(209,770)	70,907	(138,863)
Unwinding of discount	50,292	-	50,292
Balance at 31 December 2012	558,970	22,800,818	23,359,788
Allocated as:			
<i>Current</i>	-	22,800,818	22,800,818
<i>Non-current</i>	558,970	-	558,970
Balance at 1 January 2013	558,970	22,800,818	23,359,788
Provisions (refer to Note 17)	8,931,663	-	8,931,663
Change in the accounting estimate	1,636,524	-	1,636,524
Unwinding of discount	77,950	-	77,950
Provisions used during the year	-	(22,800,818)	(22,800,818)
Balance at 31 December 2013	11,205,107	-	11,205,107
<i>Current</i>	-	-	-
<i>Non-current</i>	11,205,107	-	11,205,107

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

(a) Provision for reclamation of mine sites

Management estimates the undiscounted cost for mine site reclamation, as of 31 December 2013 to be KZT 19,871,540 thousand (2012: KZT 2,163,039 thousand). The present value of such costs was estimated using a discount rate of 6% (2012: 7%), which is a risk-free nominal rate and the future cash outflows reflect risks specific to this liability.

Considering the nature of this long-term liability, there is an uncertainty in relation to the amount of expenses that will be incurred in the period of site restoration.

Management's assumptions in relation to 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 comprises of discounted value of estimated costs to close, reclaim and decommission the mine sites at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternative methods.

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:

- The present value of expected future cash flows for restoration of sites as at 31 December 2013 was KZT 11,205,107 thousand;
- The expected term for future cash outflows for the mine sites is based on the lifetime of the mines. A substantial part of expenditures is expected to occur in 2022, for others in 2032, at the end of lifetime of the mine;
- inflation rate in 2013 – 6% per annum (2012: 5%).

(b) Provision for social object

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 accepted temporary liability.

The Company has fulfilled all obligations related to construction of the Property. In accordance with the Akimat Decree of Astana city, in June 2013 Company transferred the property to communal ownership of Astana city. As a result, the company has written off the provision from balance sheet and the asset in the amount of KZT 22,800,818 thousand.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

40. OTHER FINANCIAL LIABILITIES

Historical costs movement	000* KZT
As at 1 January 2012	
Created within the year	523,390
Unwinding of discount	17,354
Provision used for the year	(84,960)
Foreign exchange	7,103
As at 31 December 2012	462,887
Allocated as:	
<i>Current</i>	86,299
<i>Non-current</i>	376,588
As at 1 January 2013	462,887
Additions (refer to Note 17)	2,273,317
Unwinding of discount	40,921
Repayments	(141,999)
Foreign exchange	635
As at 31 December 2013	2,635,761
Allocated as:	
Current	425,720
Non-current	2,210,041

Other financial liabilities relate to Historical costs obligations of the Company. The subsoil use agreement for the Central Mynkuduk uranium field held by the Company requires it to reimburse the Government of the Republic of Kazakhstan (the "Government") for historical geological exploration and evaluation costs incurred. The amount of such liabilities as at 31 December 2013 was KZT 3,139,232 thousand (2012: KZT 517,796 thousand). As a result of merge with Gornorudnaya Company, during the year Company received additional financial liabilities (Note 39).

The 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. This is a risk free real rate and the future cash outflows reflect risk specific to the liability.

41. FINANCIAL RISK MANAGEMENT

(a) Key principles

Due to the use of financial instruments the Company is exposed to the following risks:

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

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

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his contractual obligations. This risk is associated mainly with the Company's receivables from customers, cash and cash equivalents, restricted cash.

The credit risk on cash and cash equivalents and term deposits is limited because the Company uses reputable banks for cash deposits in accordance with an investment policy approved by the participants of the Company.

(i) Trade and other accounts receivable

The Company's exposure to credit risk depends mainly on individual characteristics of each customer. Approximately 69% of the Company's revenue (85% of trade receivables) is attributable to sales transactions with three customers.

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

Most of the customers have been transacting with the Company for over ten years. The Company does not require any collateral for its trade and other accounts receivable.

(c) Susceptibility 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:

	Carrying amount	
	31.12.2013 '000 KZT	31.12.2012 '000 KZT
Accounts receivable	27,244,645	71,340,190
Other investments	67,039,366	67,039,366
Loans to related parties	31,926,385	26,969,043
Cash and cash equivalents	4,380,688	22,126,643
Restricted cash	1,690,814	1,680,074
Employee loans	1,198,615	1,092,966
	<u>133,480,513</u>	<u>190,248,282</u>

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

	Carrying amount	
	31.12.2013 '000 KZT	31.12.2012 '000 KZT
United States of America	12,734,022	9,434,069
Domestic	9,286,887	9,208,698
China	2,573,470	32,578,212
Other countries	1,880,186	9,327,523
European countries	770,080	9,096,454
Russia	-	1,695,234
	<u>27,244,645</u>	<u>71,340,190</u>

JSC NATIONAL ATOMIC COMPANY KAZATOMPROM

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

The most significant customers of the Company are China Nuclear Energy Industry Corporation, CGNPC Uranium Resources Company Limited, and TradeTech Energy LLC. As at 31 December 2013, the cumulative balance receivable from these customers was KZT 14,616,351 thousand (2012: KZT 32,578,212 thousand).

(d) Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set out by the National Bank of the Republic of Kazakhstan (31 December 2013: 5.5%; 2012: 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 of December 31, 2013, overdue receivables amounted to KZT 27,244,645 thousand (as of 31 December 2012: KZT 67,617,551 thousand).

(e) Liquidity risk

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

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

Highly liquid assets	31.12.2013 '000 KZT	31.12.2012 '000 KZT
amount unused	17,910,926	5,569,291
amount used (bank account)	4,380,688	22,126,643
	<u>22,291,614</u>	<u>27,695,934</u>

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013
(CONTINUED)**

(e) Liquidity risk, continued

The table below presents the contractual maturities of financial liabilities:

	Carrying amount	Total	0-1 months	1-3 months	3 months – 1 year	1-5 years	Over 5 years
31.12.2013							
'000 KZT							
Non-derivative financial Liabilities							
Bonds	76,969,910	84,005,469	-	-	4,800,313	79,205,156	-
Accounts payable	43,768,784	43,768,784	-	43,504,029	-	-	264,755
Other financial liabilities	2,635,761	2,635,761	-	-	425,720	-	2,210,041
Secured bank loans	2,016,349	2,076,605	-	298,047	897,687	880,871	-
Other liabilities	1,814,281	1,814,281	125,617	-	-	-	1,688,664
		134,300,900	125,617	43,802,076	6,123,719	80,086,028	4,163,460
31.12.2012							
'000 KZT							
Non-derivative financial Liabilities							
Bonds	75,273,591	87,192,814	2,356,563	2,356,563	4,713,125	77,766,563	-
Accounts payable	42,063,406	42,063,406	-	41,803,598	-	-	259,808
Other liabilities	14,364,225	14,364,225	12,684,930	-	-	-	1,679,295
Secured bank loans	3,109,707	3,238,654	601,435	594,286	1,175,679	1,867,254	-
Other financial liabilities	462,887	462,887	-	86,299	-	-	376,588
		147,321,986	15,642,928	44,840,746	5,888,804	78,633,817	2,315,691

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(f) 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 Company's income or the value of its financial instrument holdings. The system of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

In order to manage market risks the Company does not use derivative financial instruments.

(i) Currency risk

The Company 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 the respective operations of the Company. Therefore, in most cases, economic hedging is achieved without the use of derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company's exposure to foreign currency risk based on notional amounts was as follows:

'000 KZT	2013 Denominated in USD	2012 Denominated in USD
Trade accounts receivable	17,957,759	61,281,328
Restricted cash	501,384	492,016
Cash and cash equivalents	180,573	10,475,562
Other current assets	35	16,750
Total assets	18,639,751	72,265,656
Borrowings	(78,986,259)	(78,383,298)
Other liabilities	(2,635,761)	(462,887)
Other financial liabilities	(492,095)	(492,095)
Trade payables	(268,213)	(261,824)
Total liabilities	(82,382,328)	(79,600,104)
Net exposure to currency risk	(63,742,577)	(7,334,448)

The following significant exchange rates applied during the year:

	Kazakhstan Tenge Average rate		Kazakhstan Tenge Spot rate at the reporting date	
	2013	2012	2013	2012
1 US dollar	152.14	149.11	153.61	150.74

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Sensitivity analysis

A 30% weakening and 10% strengthening of the KZT against USD as at 31 December 2013 (2012:10% and 10%) would (decrease)/increase equity and profit/loss by the amounts shown below.

	USD 2013	Profit or loss '000 KZT
+30%		(19,122,773)
-10%		6,374,258
	USD 2012	
+10%		(733,445)
-10%		733,445

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). When raising new loans or borrowings management decides on the bases of its judgment, which interest rate (fixed or variable) would be more favorable to the Company over the expected period until maturity. The Company does not enter into interest swap agreements.

As of 31 December 2013 approximately 97% (2012: 96%) borrowing instruments have a fixed interest rate.

Profile

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

'000 KZT	Carrying amount	
	31.12.2013	31.12.2012
Fixed rate instruments		
Financial assets	32,319,695	-
Financial liabilities	(76,969,910)	(75,273,591)
Floating rate instruments		
Financial liabilities	(2,016,349)	(3,109,707)

Fair value sensitivity analysis for fixed rate instruments

The Company 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.

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 changed equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

'000 KZT	Profit or loss	
	100 bp increase	25 bp decrease
2013		
Variable rate instruments	(20,163)	5,041
2012		
Variable rate instruments	(31,097)	7,774

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

(c) Price risk on uranium products

The Company is exposed to the effect of fluctuations in the price of uranium which is quoted in US dollars on international markets. The Company prepares an annual budget based on future uranium price forecasts.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Company'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 balance sheet date there was no significant impact of commodity price risk on the Company's financial assets and liabilities.

(d) Fair value versus carrying value

Except as detailed in the following table, the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values due to their short term nature.

'000 KZT	31.12.2013		31.12.2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank loans	2,016,349	2,076,605	3,109,707	3,238,654
Bonds	76,969,910	81,833,860	75,273,591	87,192,814
	<u>78,986,259</u>	<u>83,910,465</u>	<u>78,383,298</u>	<u>90,431,468</u>

(e) Capital management

The Company'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 Company. The Company 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 June 2011 the Shareholder of the Company adopted a new policy on borrowings in order to identify common principles and rules of fundraising for non-financial organizations.

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

- the debt to equity ratio of not greater than 2;
- the debt ratio to earnings before interest, taxes, depreciation and amortization (Debt/EBITDA) of not greater than 3.5; and
- the ratio of earnings before interest and tax to net interest expense (EBIT/ net interest expenses) of not less than 2.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

42. CONTINGENCIES

(a) Disposal of 49% investment in "Semyzbay -U" LLP

In 2008, the Group entered into various agreements (the "Agreements") to dispose of 49% of its interest in Semyzbay-U LLP ("Semyzbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company"). Following the sale, the participants in Semyzbay-U LLP were the Company (11%); Gornorudnaya Company LLP ("Gornorudnaya Company") (40%); and Sino-Kaz Company (49%). Gornorudnaya Company is a related party as it is a 100% controlled entity of the Group. Under the terms of the Agreements:

- The Company sold 49% of its interest for a cash consideration of USD 234 million (equivalent to KZT 28 billion). Management confirms sale was correctly recognised by the Company in the year ended 31 December 2008 and a profit on disposal of KZT 25 billion (tax effect: KZT 7.2 billion) was recorded;
- Sino-Kaz Company was entitled to a minimum distribution of annual net income of Semyzbay-U LLP in the period 2010 until 2033. The payment of these distributions was guaranteed by JSC National Atomic Company Kazatomprom and Gornorudnaya Company. This liability was measured at fair value at inception in the Group financial statements and was recognized in consolidated financial statement of the Company only.
- Sino-Kaz Company committed to purchase all uranium produced by Semyzbay which will be processed to uranium dioxide pellets and powder by Ulba Metallurgical Plant JSC (a subsidiary company in the Group), for use in Chinese atomic power plants. China Guangdong Nuclear Power Corporation, the parent company of Sino-Kaz Company, committed to certify the technologies used at Ulba Metallurgical Plant JSC for production of uranium dioxide pellets and powder for use on Chinese atomic power plants, within two years from the date of the Agreement. In 2010 the certification was accomplished. In October 2011 the first batch of dioxide pellets produced by Ulba Metallurgical Plant JSC was shipped to China. In addition, a contract was concluded for 2012-2014 for the shipment of dioxide pellets to China.

The disposal of the Company's interest in Sino-Kaz Company required regulatory approval in Kazakhstan and this was a condition precedent in the Agreement. Prior to 31 December 2008, certain regulatory approvals had been obtained for approval of the sale and the Parent Company confirmed to Sino-Kaz Company that it would obtain the remaining consents, the most significant of which was Kazakhstan government consent to the sale transaction. The regulatory approvals which had been obtained prior to 31 December 2008 were:

- The Strategic Objects Commission;
- Inter-ministerial Commission;
- Ministry of Energy and Mineral Resources; and
- Ministry of Anti-Monopoly.

Following receipt of these approvals, the share ownership of Sino-Kaz Company in Semyzbay-U LLP was legally registered on 15 December 2008 and Semyzbay-U LLP received appropriate licences to engage in its operating activities. Accordingly, Sino-Kaz Company paid the purchase consideration of USD 234 million which was received by the Company on December 30, 2008.

In 2011, Gornorudnaya Company commenced arbitration proceedings in London and court proceedings in Kazakhstan, alleging that the Agreements were invalid as not all appropriate consents to the sale of the interest in Semyzbay-U LLP had been received. In 2012, the Company signed an Amicable Agreement (the "Amicable Agreement") with Sino-Kaz Company regarding the conditions of purchase and sale of the 49% interest in Semyzbay-U LLP. The relevant terms of the Amicable Agreement were:

- the Company will help to receive the Decree.;
- the parties agreed to reassess the fair value of the 49% interest in Semyzbay-U LLP. As a result of this provision, the Group repaid to Sino-Kaz Company USD 132 million (equivalent to KZT 19.9 billion) on 7 June 30 2013;
- the parties agreed to cancel the guaranteed minimum dividends payable by Semyzbay for the period 2012 to 2033. In 2013 Income from early discharge of financial liability was reconized in consolidated financial statement of the Company.

Legal proceedings initiated by LLP Gornorudnaya Company were discontinued.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Fulfillment of the terms of the Amicable Agreement led to joint-control over significant activity of Semyzbay-U LLP, as a result of which, the investments in the subsidiary Semyzbay-U LLP were reclassified to investments in jointly-controlled entity in the consolidated financial statements of the Company for the year ended December 31, 2013.

On the date of loss of control, the entity recognized it is 11% share in investment of Semyzbay-U LLP at fair value.

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semyzbay 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 Semyzbay -U LLP at repurchase price based on formula determined in an additional addendum to the contract.

(b) 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 38,265,911 thousand).

(c) Insurance

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

(d) Taxation contingencies

(i) Taxation contingencies

The taxation system of Kazakhstan is relatively new and comprises numerous taxes frequently changed by legislative acts, official decisions and court rulings. All taxes are subject to audit by regulating bodies authorized to impose material penalties, and to calculate and levy fines. The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Kazakhstani legislative acts and regulations are not always explicit, and their interpretation depends to a large extent on the opinion of local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. In many cases, opinions of local, regional and republican tax authorities conflict each other. The current procedure for applying penalties and fines to declared and revealed infringements of Kazakhstani laws, decrees and standards is very strict. The sanctions include seizure of amounts in dispute (for violation of currency legislation) and fine in the amount of 2.5 refinancing rates established by the National Bank of the Republic of Kazakhstan per each day of the violation. The penalty rate is 50% of the amount of the additional tax. As a result, the sanctions include seizure of amounts in dispute and penalties and fines.

Such conditions can create more serious tax, penalty, and interest risks in Kazakhstan than in 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 if the authorities manage to prove the legality of their own interpretations.

The management of the Company believes that it adequately presented its tax liabilities in this consolidated financial statements.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Fulfillment of the terms of the Amicable Agreement led to joint-control over significant activity of Semyzbay-U LLP, as a result of which, the investments in the subsidiary Semyzbay-U LLP were reclassified to investments in jointly-controlled entity in the consolidated financial statements of the Company for the year ended December 31, 2013.

On the date of loss of control, the entity recognized it is 11% share in investment of Semyzbay-U LLP at fair value.

The Group entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semyzbay 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 Semyzbay -U LLP at repurchase price based on formula determined in an additional addendum to major.

(b) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 38,265,911 thousand (2012: KZT 35,712,325 thousand).

(c) Insurance

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

(d) Taxation contingencies

(i) Taxation contingencies

The taxation system of Kazakhstan is relatively new and comprises numerous taxes frequently changed by legislative acts, official decisions and court rulings. All taxes are subject to audit by regulating bodies authorized to impose material penalties, and to calculate and levy fines. The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Kazakhstani legislative acts and regulations are not always explicit, and their interpretation depends to a large extent on the opinion of local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. In many cases, opinions of local, regional and republican tax authorities conflict each other. The current procedure for applying penalties and fines to declared and revealed infringements of Kazakhstani laws, decrees and standards is very strict. The sanctions include seizure of amounts in dispute (for violation of currency legislation) and fine in the amount of 2.5 refinancing rates established by the National Bank of the Republic of Kazakhstan per each day of the violation. The penalty rate is 50% of the amount of the additional tax. As a result, the sanctions include seizure of amounts in dispute and penalties and fines.

Such conditions can create more serious tax, penalty, and interest risks in Kazakhstan than in 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 if the authorities manage to prove the legality of their own interpretations.

The management of the Company believes that it adequately presented its tax liabilities in this consolidated financial statements.

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(ii) Mineral Extraction Tax (MET)

There has been uncertainty in the past regarding the taxable base for mineral extraction tax. Previously, management of the Company used the cost of initial processing as the taxable base and applied the mineral extraction tax rate of 22% which was set by the Tax Code. In 2012 through discussions held between the uranium producing companies with tax authorities, a mutual understanding was reached that the taxable base should include the cost of initial production grossed up for mineral extraction tax. As part of that negotiation, the mineral extraction tax rate was reduced for 2009-2013 from 22% to 17.5%. The relevant changes in the Tax Code of the Republic of Kazakhstan were approved in 26 December 2012. The Company recognized the effect of this revision in its financial statements for the year ended 31 December 2013. The tax authorities have not yet conducted any specific review of the Company's compliance with taxation laws relating to mineral extraction tax.

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

(iii) 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 KZT 6,390,276 thousand.

The Company did not agree with the notice and filed a complaint # 04-16/01527 from 22.05.2013 to Supreme Court of Almaty. According to court decision #2-5996/13 from 12.07.2013 the appeal was denied. The Company filed for appeal #21.1.24 on 26.07.2013 to Appeals Board of Almaty city court. According to the resolution #2a-5300/13 from 18.09.2013 of the Appeal Board of Almaty City Court the appeal was dismissed.

In 2014, Kazatomprom continued filing for complaints and sent a cassation complaint № 04-16/00117 from 16.01.2014 to the Cassation Board of Almaty City Court. Following the meeting of Cassation Board held 19.02.2014 the cassation appeal was dismissed.

In accordance with the decision #2a-5300/13 from 18.09.2013 of the Appeal Board of Almaty City Court, as a result of tax inspection for 2007 Company recognized and reflected the obligation related to payment to the budget of the Republic of Kazakhstan of Corporate Income Tax in the amount of KZT 2,983,522 thousand, fine in the amount of KZT 1,914,993 thousand and penalty in the amount of KZT 1,491,761 thousand. As of December 31, 2013 the amounts were repaid in full.

43. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008. On 19 January 2009 National Welfare fund "Samruk-Kazyna" - 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 Company, as 100% of the shares are owned by the Government.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 (CONTINUED)

Remuneration of key management personnel

Key management received the following remuneration during the year, which is included in personnel costs (Note 13).

	2013 <u>'000 KZT</u>	2012 <u>'000 KZT</u>
Salaries and bonuses	341,708	258,700

(c) Transactions with other related parties

The table below presents information on the Company's transactions with other related parties. In relation with state companies the Company disclosed operations only with National Welfare Fund Samruk-Kazyna ("Shareholder"):

(i) Revenue

	Transaction value 2013 <u>'000 KZT</u>	Outstanding balance 31.12.2013 <u>'000 KZT</u>	Transaction value 2012 <u>'000 KZT</u>	Outstanding balance 31.12.2012 <u>'000 KZT</u>
<i><u>Sale of goods:</u></i>				
Subsidiaries	601,934	9,290,699	12,680,395	10,124,356
Associates	4,540,740	144	1,962,477	2,647
Jointly-controlled entities	27,773	880	5,944	312
Other related parties	8,644	848	-	-
<i><u>Other assets:</u></i>				
Subsidiaries	3,786,600	348,036	18,343,036	13,963,993
Associates	6,661,947	74	24,856,165	-
Jointly-controlled entities	9,427,007	2,551,063	11,500,411	-
Sister companies	-	35,161	597,703	16,453
	<u>25,054,645</u>	<u>12,226,905</u>	<u>69,946,131</u>	<u>24,107,761</u>

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(i) Expenses

	Transaction value 2013 <u>'000 KZT</u>	Outstanding balance 2013 <u>'000 KZT</u>	Transaction value 2012 <u>'000 KZT</u>	Outstanding balance 2012 <u>'000 KZT</u>
<i><u>Purchase of goods:</u></i>				
Subsidiaries	109,706,385	24,320,355	90,375,908	10,037,743
Associates	28,920,767	6,083,262	36,599,229	20,325,382
Jointly-controlled entities	29,522,929	11,691,773	39,011,684	10,651,899
Other related party	307	952	-	-
Sister companies	740,005	728	807,398	3,866
Dividends	7,637,242	-	23,501,328	11,750,664
	<u>176,527,635</u>	<u>42,097,070</u>	<u>190,295,547</u>	<u>52,769,554</u>

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date.

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(ii) Loans

	Loan amount	Outstanding balance	Loan amount	Outstanding balance
	2013 '000 KZT	31.12.2013 '000 KZT	2012 '000 KZT	31.12.2012 '000 KZT
<i>Loans issued:</i>				
Subsidiaries	12,412,290	12,412,290	13,691,424	13,691,424
Associates	8,440,754	8,440,754	7,698,391	7,698,391
Jointly-controlled entities	4,953,894	4,953,894	-	-
Other	6,119,447	6,119,447	5,579,228	5,579,228
	31,926,385	31,926,385	26,969,043	26,969,043

The loans provided to subsidiaries and associates were issued on market conditions.

(d) Pricing policy

Pricing for related party transactions are primarily based on the "cost plus " method in accordance with the law "on transfer pricing".

44. EVENTS AFTER THE BALANCE SHEET DATE

In January 2014 the Company received short-term loan for the amount of U.S. 50 million dollars from Mizuho Nederland N.V.

On 11 February 2014 the National Bank of Kazakhstan decided to temporarily reduce the interference in formation of the exchange rate of tenge. As a result, during 12 February 2014 the market exchange rate of tenge for 1 U.S. dollar dropped to 184.55, i.e. about 19 %. To prevent destabilization of the financial market and the economy as a whole, the National Bank plans to establish a corridor of fluctuations of tenge against the U.S. dollar in the range of 182-188 tenge for 1 U.S. dollar. As of 6 March 2014 the official rate of the tenge against the U.S. dollar comprised 181.78 tenge. However, there is uncertainty about the exchange rate of tenge and future actions of the National Bank, as well as influence of this factors on the economy of Kazakhstan.

Management believes that it takes all necessary measures to support the sustainability of the Company under these conditions. Management confirms that the decrease of exchange rate will not have a negative impact on the results and financial position of the Company.

In accordance with the decision dated 22 July 2013 Sole participants approved an Act of Transfer related to reorganization by merge of LLP Gornorudnaya Company to the Company as of 10 February 2014. LLP Gornorudnaya Company has transferred all assets and liabilities to the Company.

45. APPROVAL OF FINANCIAL STATEMENTS

The unconsolidated financial statements were approved by management and authorised for issue on 6 March 2014.