CHAGALA GROUP LIMITED

Consolidated Financial Statements

For the year ended 31 December 2012
with Independent Auditors' Report

CHAGALA GROUP LIMITED

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CHAGALA GROUP LIMITED

Consolidated Statement of Financial Position

As at 31 December 2012

In thousands of US Dollars	Note	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	138,563	153,405
Intangible assets other than goodwill		220	506
Capital work-in-progress	8	827	11,876
Long-term prepayments	8	94	7,313
Investment in associates	5,6	22	44
Deferred transaction costs		-	150
Restricted cash		43	42
Goodwill	9	-	2,167
Deferred tax asset	25	912	403
		140,681	**175,906**
Current Assets			
Inventories	10	3,968	3,304
Accounts receivable	11	5,166	4,764
Taxes prepaid	12	2,404	3,089
Corporate income tax prepaid		1,207	733
Due from related parties	26	296	125
Other prepayments	13	498	461
Cash and cash equivalents	14	754	1,839
		14,293	**14,315**
TOTAL ASSETS		**154,974**	**190,221**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	8,503	8,503
Additional paid-in capital		80,293	80,293
Retained earnings		(4,260)	19,848
Revaluation reserve, net of deferred tax		47,201	49,788
Other reserves	15	508	474
Foreign currency translation reserve		(25,753)	(23,602)
		106,492	**135,304**
Non-controlling interests		3,595	4,334
TOTAL EQUITY		**110,087**	**139,638**
Non-Current Liabilities			
Long-term borrowings	16	13,062	25,360
Bonds payable	18	13,900	-
Derivative financial instruments	18	581	790
Deferred tax liabilities	25	7,588	10,850
Other non-current liabilities	21	236	-
		35,367	**37,000**
Current Liabilities			
Current portion of long-term borrowings	16	4,178	8,641
Short-term borrowings	17	2,487	2,022
Interest payable		280	352
Trade accounts payable	19	1,328	1,893
Advances from customers		656	56
Taxes payable	20	347	386
Corporate income tax payable		13	2
Due to related parties	26	91	25
Other payables and accruals	22	140	206
		9,520	**13,583**
TOTAL LIABILITIES		**44,887**	**50,583**
TOTAL EQUITY AND LIABILITIES		**154,974**	**190,221**

Signed and authorized for release on behalf of the Board of Directors of Chagala Group Limited on 29 March 2013.

Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Yermek Kudabayev

CHAGALA GROUP LIMITED

Consolidated Income Statement

For the year ended 31 December 2012

In thousands of US Dollars	Note	2012	2011
Room and rent revenue	7	23,001	24,891
Food and beverages revenue	7	6,194	8,493
Other operating revenue	7	2,801	2,844
Total Revenue		**31,996**	**36,228**
Utilities, cleaning and maintenance		(5,808)	(5,304)
Costs of food and beverages		(2,256)	(2,758)
Salaries and employee benefits	23	(9,284)	(9,883)
General and administrative expenses		(5,022)	(4,373)
Depreciation and amortization	7	(8,267)	(6,784)
Operating Profit		**1,359**	**7,126**
Foreign exchange loss, net		(190)	(399)
Revaluation of land and buildings	8	(18,924)	(15)
Impairment of capital work-in-progress, goodwill and intangible assets	8,9	(4,686)	-
Loss on disposal of property, plant and equipment	7	(1,292)	(87)
Finance income	24	217	41
Finance costs	24	(4,932)	(2,074)
Other income		305	151
Other expenses		(39)	(16)
(Loss) / profit before income tax expense		**(28,182)**	**4,727**
Income tax benefit / (expense)	25	3,004	(2,435)
Net (loss) / profit for the year		**(25,178)**	**2,292**
Attributable to:			
Equity holders of the parent		(24,908)	2,434
Non-controlling interests		(270)	(142)
		(25,178)	**2,292**
(Loss) / earnings per share (in US Dollars): basic and diluted, for (loss) / profit for the year attributable to equity holders of the parent	15	(0.29)	0.03

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Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Yermek Kudabayev

CHAGALA GROUP LIMITED

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

In thousands of US Dollars	Note	2012	2011
Net (loss) / profit for the year		**(25,178)**	**2,292**
Other comprehensive (loss) / income:			
Foreign currency translation loss		(2,151)	(1,053)
Revaluation of land and buildings	8	(2,462)	(16,852)
Income tax effect	25	492	695
Revaluation of land and buildings, net of tax		(1,970)	(16,157)
Total comprehensive loss for the year, net of tax		**(29,299)**	**(14,918)**
Attributable to:			
Equity holders of the parent		(28,846)	(14,117)
Non-controlling interests		(453)	(801)
		(29,299)	**(14,918)**

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Chief Executive Officer	Francisco Parrilla
Chief Financial Officer	Yermek Kudabayev

CHAGALA GROUP LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

In thousands of US Dollars	Note	2012	2011
Cash flows from operating activities			
(Loss) / profit before income tax expense		(28,182)	4,727
Adjustments for:			
Depreciation	8	8,023	6,512
Amortization		244	272
Unrealized foreign exchange loss		356	263
Change in allowance for doubtful debts		87	23
Finance income		(217)	(41)
Finance costs		4,932	2,074
Accrual of share based payments reserve	15	34	219
Loss on disposal of property, plant and equipment		1,292	87
Revaluation recognized in the consolidated income statement	8	18,924	15
Impairment of capital work-in-progress, goodwill and intangible assets		4,686	-
Cash from operations before working capital changes		**10,179**	**14,151**
(Increase) / decrease in operating assets:			
Inventories		(715)	(349)
Accounts receivable		(565)	1,910
Amounts due from related parties		(423)	(51)
Other assets		593	(3)
Increase / (decrease) in operating liabilities:			
Accounts payable		31	94
Amounts due to related parties		66	(18)
Other payables		741	(453)
Cash generated from operations		**9,907**	**15,281**
Interest paid		(3,504)	(2,140)
Income taxes paid		(601)	(1,860)
Net cash provided by operating activities		**5,802**	**11,281**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,400)	(29,879)
Proceeds from disposal of property, plant and equipment		31	35
Acquisition of associates	5	(22)	-
Acquisition of intangible assets		(51)	(178)
Net cash used in investing activities		**(3,442)**	**(30,022)**
Cash flows from financing activities			
Repayment of long-term borrowings		(28,000)	(6,062)
Receipt of long-term borrowings		10,191	14,496
Issue of bonds		14,018	-
Transaction costs		(119)	(223)
Repayment of short-term borrowings		(2,022)	-
Receipt of short-term borrowings		2,522	2,022
Dividends paid to equity holders of the parent	15	-	(2,976)
Dividends paid to non-controlling interests	15	-	(192)
Charter capital distribution (non-controlling interests)	15	(36)	-
Net cash (used in) / provided by financing activities		**(3,446)**	**7,065**
Net decrease in cash and cash equivalents		(1,086)	(11,676)
Effect of exchange rate changes on cash and cash equivalents		1	(67)
Cash and cash equivalents at the beginning of the year	14	**1,839**	**13,582**
Cash and cash equivalents at the end of the year	**14**	**754**	**1,839**

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Chief Executive Officer Francisco Parrilla

Chief Financial Officer Yermek Kudabayev

CHAGALA GROUP LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

In thousands of US Dollars

	Attributable to equity holders of the parent								
	Share Capital	**Additional paid in Capital**	**Revaluation Reserve**	**Foreign Currency Translation Reserve**	**Retained Earnings**	**Other Reserves**	**Total**	**Non-controlling interests**	**Total Equity**
As at 1 January 2011	**8,503**	**80,293**	**65,390**	**(22,549)**	**20,286**	**255**	**152,178**	**5,327**	**157,505**
Profit / (loss) for the year	-	-	-	-	2,434	-	2,434	(142)	2,292
Other comprehensive loss	-	-	(15,498)	(1,053)	-	-	(16,551)	(659)	(17,210)
Total comprehensive (loss) / income	**-**	**-**	**(15,498)**	**(1,053)**	**2,434**	**-**	**(14,117)**	**(801)**	**(14,918)**
Other movements	-	-	(104)	-	104	-	-	-	-
Share-based payment transactions (Note 15)	-	-	-	-	-	219	219	-	219
Dividends (Note 15)	-	-	-	-	(2,976)	-	(2,976)	(192)	(3,168)
As at 31 December 2011	**8,503**	**80,293**	**49,788**	**(23,602)**	**19,848**	**474**	**135,304**	**4,334**	**139,638**
Loss for the year	-	-	-	-	(24,908)	-	(24,908)	(270)	(25,178)
Other comprehensive loss	-	-	(1,787)	(2,151)	-	-	(3,938)	(183)	(4,121)
Total comprehensive loss	**-**	**-**	**(1,787)**	**(2,151)**	**(24,908)**	**-**	**(28,846)**	**(453)**	**(29,299)**
Other movements	-	-	(800)	-	800	-	-	-	-
Share-based payment transactions (Note 15)	-	-	-	-	-	34	34	-	34
Charter capital distribution (Note 15)	-	-	-	-	-	-	-	(286)	(286)
As at 31 December 2012	**8,503**	**80,293**	**47,201**	**(25,753)**	**(4,260)**	**508**	**106,492**	**3,595**	**110,087**

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Chief Executive Officer — Francisco Parrilla

Chief Financial Officer — Yermek Kudabayev

1 CORPORATE INFORMATION

Chagala Group Limited (the "Company" or "Parent") was incorporated as a private company in the British Virgin Islands ("BVI") on 20 February 2006. The Company was formed for the principal purpose of acting as the parent company of the group of subsidiaries based in the Republic of Kazakhstan. The principal activities of the Company and its controlled subsidiaries (collectively referred to as the "Group") consist of (i) ownership and management of hotels, serviced apartments, office accommodation and other commercial properties (ii) restaurant operations and (iii) development of commercial real estate in Western Kazakhstan.

The Company's registered address is c/o Offshore Incorporations Limited, PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

On 27 February 2007 the Company listed its Global Depository Receipts ("GDRs"), each representing four ordinary shares, through an initial public offering ("IPO") on the London Stock Exchange, and successfully floated 57.9% of its ordinary shares. Shares of the Company are publicly traded and the shareholding is dispersed without control by one party.

A listing of the Group's subsidiaries and associates as at 31 December is as follows:

			Percentage Ownership	
Entities	**Country of residence**	**City**	**2012**	**2011**
Subsidiaries				
Chagala Cooperatief U.A. (the "Coop")	Netherlands	Amsterdam	100%	100%
Chagala International Holding B.V. (the "BV")	Netherlands	Amsterdam	100%	100%
Caspi Limited LLP	Republic of Kazakhstan	Atyrau	100%	100%
Aktau Development Company LLP	Republic of Kazakhstan	Aktau, Bautino	100%	100%
Chagala Management LLP	Republic of Kazakhstan	Almaty	100%	100%
Bayan Limited LLP	Republic of Kazakhstan	Uralsk	100%	100%
Chagala Zere Malls LLP	Republic of Kazakhstan	Almaty	100%	100%
Chagala Aksai LLP	Republic of Kazakhstan	Aksai	50.1%	50.1%
Regus Chagala LLP (Note 5)	Republic of Kazakhstan	Almaty	100%	-
Associates				
Arrowhead B.V. (Note 5)	Netherlands	Amsterdam	30%	-
Itasia Engineering LLP (Note 5)	Republic of Kazakhstan	Almaty	24.95%	-
Chagala Newrest LLP (Note 5)	Republic of Kazakhstan	Almaty	-	49%

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The consolidated financial statements have been prepared on historical cost basis, except when otherwise stated in the accounting policies below.

The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.
Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

2.3 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and had no impact on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

Standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 *Joint Arrangements,* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates,* has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact to the Group.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. The amendments are effective for annual periods on or after 1 January 2013 and will have no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The application of this new standard will not impact the financial position or performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position or performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to the consolidated other comprehensive income. If the contingent consideration is not scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.2 Investment in associates

The Group's investment in its associates is accounted for using the equity method. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights

Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as "share of losses of an associate" in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3.3 Foreign currency translation

The functional currency of the Company and its subsidiaries is Kazakhstan Tenge ("KZT" or "Tenge"). All items included in the financial statements of each entity are measured using that functional currency. The Group selected US Dollars as a presentation currency, since it is listed on the London Stock Exchange.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities in Tenge (the functional currency) at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

ii) Group companies

On consolidation the assets and liabilities of a foreign operation are translated into US Dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The Group used foreign exchange rates of US Dollars against the Kazakhstan Tenge established by the Kazakhstan Stock Exchange ("KASE") as follows:

	Exchange rate at 31 December	Weighted-average rate during the year
2012	**150.74**	**149.11**
2011	148.40	146.62

3.4 Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed of is transferred to retained earnings.

Furniture and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20-50 years
Furniture and Equipment	3-10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

All assets under construction are classified as capital work-in-progress and measured at cost. Capital work-in-progress is not depreciated. Once projects are completed and placed into service, they are transferred to property, plant and equipment. Also, capital work-in-progress includes unassembled or uninstalled furniture that is transferred to furniture category once assembled or installed.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.6 Intangible assets

Intangible assets include computer software. Intangible assets are recorded at cost, less accumulated amortisation. Intangible assets are amortised on a straight-line basis over a period of five years. Amortisation is recorded in the consolidated income statement in the period to which it relates.

3.7 Inventories

Inventories are recorded at the lower of cost and net realisable value. Inventory cost, which comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset of CGU is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to the consolidated other comprehensive income. In this case, the impairment is also recognised in the consolidated other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.9 Financial instruments

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Group's financial assets include cash and short-term deposits, loans, trade and other receivables, which are classified within loans and receivables category.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in finance costs for loans and in general and administrative expenses for receivables.

Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the consolidated income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

c) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, which are classified within other financial liabilities, and derivative financial instruments, which form part of financial liabilities at fair value through profit or loss.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

3.10 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in the consolidated other comprehensive income.

As at 31 December 2012 and 2011 the Group has an interest rate swap derivative agreement, see Note 16 for details. This interest rate swap derivative agreement does not qualify as hedge instrument; therefore the change in the fair value of an interest rate derivative is recognised in the consolidated income statement as finance income or costs.

3.11 Cash and cash equivalents

Cash and cash equivalents are defined as cash at bank, cash on hand and short-term deposits with an original maturity of three months or less.

3.12 Restricted cash

Restricted cash comprises bank deposits that represent guarantee deposits for recruited expatriate employees. These deposits are in compliance with the Law of the Republic of Kazakhstan and are not included in cash and cash equivalents.

3.13 Taxes

a) Value added tax (VAT)

The tax authorities permit the settlement of sales and purchases value added tax on a net basis. Value added tax recoverable represents VAT on purchases net of VAT on sales.

Value Added Tax Payable

VAT is payable to the tax authorities upon collection of accounts receivable from customers. VAT on purchases, which have been settled at the reporting date, is deducted from the amount payable.

In addition, VAT related to sales which have not been collected at the reporting date is also included in the balance of VAT payable. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT. The related deferred VAT liability is maintained until the debtor is written off for tax purposes.

Value Added Tax Recoverable

VAT recoverable is recorded in accounts related to purchased goods, work and services, which were purchased with VAT and if the purchases were made in order to generate revenue.

At each reporting date, the VAT recoverable amount is subject to offsetting against the VAT payable for each Group entity.

b) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c) Deferred income taxes

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in consolidated other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in consolidated income statement.

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of 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 virtually certain. The expense relating to a provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

3.15 Share capital

Share capital represented by ordinary shares is classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid in capital.

3.16 Share-based payment transactions

Senior management and directors of the Group receive remuneration in the form of share-based payment transactions, whereby senior management and directors render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognized in salaries and employee benefits.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market condition or non-vesting condition. These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.17 Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services

Sales of services are recognised in the period the services are provided based on the total contract value and the percentage completed. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the services provided.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Expenses

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate on an accruals basis.

3.18 Employees' benefits

The Group pays social taxes to the Kazakhstan government for its employees. Social taxes and related staff costs are expensed as incurred.

The Group also withholds and contributes 10% from the salary of its local employees as the employees' contribution to their pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to pay its employees upon their retirement.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in Note 9.

Revaluation of land and buildings

The Group uses the revaluation model for land and buildings allowed under IAS 16 "Property, Plant and Equipment". The Group engages an independent valuation specialist to assess fair value as at reporting date. The Group applied the income approach involving the exercise of significant assumptions and judgments in determining the fair values of land and buildings. The key assumptions used in deriving the valuation using the income approach are the discount rate and the projection of future cash flows. Fair value of land is determined by reference to market-based evidence by using the comparative approach which is based on comparison with similar properties where information on prices of transactions is available. The fair value of buildings has substantially been determined by using the income approach which is based on determination of expected profit from the buildings being valued. More details are provided in Note 8.

Useful life of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment on an annual basis. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. More details are provided in Note 25.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 15.

Allowances

The Group makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5 ACQUISITIONS, FORMATIONS AND DISPOSALS

Additions in 2012

In January 2012 the Group established an entity Arrowhead B.V. with the international fund manager ADM Capital through its ADM Kazakhstan Capital Restructuring Fund ("ADM KCRF"). The Group has a 30% interest in Arrowhead B.V. The cash contribution amounted to USD 22 thousand (Note 6).

In June 2012 the Group established Regus Chagala LLP, a legal entity established under the laws of the Republic of Kazakhstan. The cash contribution amounted to USD 1 thousand. The principal activity is organization of serviced office accommodation in business centres for the clients. As at 31 December 2012 Regus Chagala LLP has not started any operations.

In December 2012 the Group purchased a 24.95% interest in Itasia Engineering LLP for the cash contribution of USD 0.05 thousand (Note 6).

Disposals in 2012:

On 3 August 2012 Chagala Newrest LLP was liquidated. There was no significant impact on consolidated financial statement given the absence of operations in the liquidated entity.

Merging in 2011:

On 11 August 2011 Bautino Development Company liquidated by merger with Aktau Development Company. The merge didn't have effect on consolidated financial statements.

6 INVESTMENT IN ASSOCIATES

The Group has a 30% interest in Arrowhead B.V. (or "ABV"), which is involved in the development of commercial and residential properties in the Republic of Kazakhstan. ABV is a legal entity established under the laws of the Netherlands. In 2012 ABV created two subsidiaries, 100% owned by the entity: Flecha LLP was created on 11 September 2012 with the main activity in Atyrau; Crossbow LLP was created on 16 April 2012 with the main activity in Almaty.

The Group has a 24.95% interest in Itasia Engineering LLP (or "Itasia"), which is involved in the construction of properties for the Group. Itasia is a legal entity established under the laws of the Republic of Kazakhstan. The Group has a commitment to acquire an additional 24.05% interest in Itasia in 2013 for the cash contribution of USD 49. The aggregate interest will constitute 49%.

The following table presents the summarised financial information of the Group's investments in Arrowhead B.V and Itasia Engineering LLP for the period ended 31 December 2012 starting from the date of acquisition:

In thousands of US Dollars	**Arrowhead B.V.**	**Itasia Engineering LLP**
Share of the associate's statement of financial position:		
Current assets	2,915	92
Non-current assets	15	16
Current liabilities	(2,955)	(118)
Equity	**25**	**10**
Share of the associate's revenue and profit:		
Revenue	-	-
Losses	(42)	-
Other comprehensive losses	(5)	-
Carrying amount of the investments	**22**	**0.05**

As at 31 December 2012 Arrowhead B.V. had capital commitments of USD 8.886 thousand for purchase of Business Center in Almaty from a third party and USD 334 thousand for purchase of land plot in Atyrau from Caspi Limited LLP for construction of apartments for sale (the Sarayshyk project), where the total costs of the Sarayshyk project is estimated at USD 5.6 million.

7 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on services rendered and has two reportable operating segments: room and rent operations and food and beverages operations. Other operating segments which are mainly represented by sport and leisure and technical support services are not material to the Group and are aggregated under 'Other' caption in tables below.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements except for certain costs and expenses which are not allocated to segments.

In 2012 one of the Group's major customers accounted for USD 21,213 thousand of the Group's total revenues (2011: USD 24,354 thousand).

The following table presents information regarding the Group's business segments:

Year ended 31 December 2012	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
In thousands of US Dollars					
Revenue					
Sales to external customers	23,001	6,194	2,801	-	31,996
Internal sales	348	94	-	(442)[1]	-
Total revenue	**23,349**	**6,288**	**2,801**	**(442)**	**31,996**
Results					
Depreciation and amortization	(6,984)	(641)	(374)	(268)	(8,267)
Revaluations recognized in the income statement	(18,823)	(7)	(113)	58	(18,885)
Impairment of capital work-in-progress, goodwill and intangible assets	(4,195)	(2)	(402)	(87)	(4,686)
Loss on disposal of property, plant and equipment	(1,290)	-	(2)	-	(1,292)
Finance costs, net	-	-	-	(4,715)	(4,715)
Other income, net	-	-	-	76	76
Segment (loss) / profit	**(16,812)**	**323**	**1,082**	**(12,775)[5]**	**(28,182)**
Segment assets	**130,409**	**7,548**	**1,235**	**15,782[2]**	**154,974**
Segment liabilities	**1,844**	**462**	**54**	**42,527[3]**	**44,887**
Other segment information:					
Capital expenditures:[4]	**9,660**	**45**	**32**	**391**	**10,128**

1. Internal sales are eliminated on consolidation.
2. Segment assets do not include property, plant and equipment for administrative purposes (USD 8,950 thousand), intangible assets other than goodwill (USD 220 thousand), investment in associates (USD 22 thousand), restricted cash (USD 43 thousand), deferred tax assets (USD 912 thousand), inventories related to apartments for sale (USD 476 thousand), taxes prepaid (USD 2,404 thousand), corporate income tax prepaid (USD 1,207 thousand), due from related parties (USD 296 thousand), other prepayments (USD 498 thousand) and cash and cash equivalents (USD 754 thousand) as these assets are managed on a group basis.
3. Segment liabilities do not include long- and short-term borrowings (USD 19,727 thousand), bonds payable (USD 13,900 thousand), derivative financial instruments (USD 581 thousand), deferred tax liabilities (USD 7,588 thousand), interest payable (USD 280 thousand), taxes payable (USD 347 thousand), corporate income tax payable (USD 13 thousand) and due to related parties (USD 91 thousand) as these liabilities are managed on a group basis.
4. Capital expenditure consists of additions of property, plant and equipment and intangible assets.
5. Profit for the operating segments does not include general and administrative expenses (USD 5,022 thousand) and salaries and employee benefits (USD 2,817 thousand).

Year ended 31 December 2011	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
In thousands of US Dollars					
Revenue					
Sales to external customers	24,891	8,493	2,844	-	36,228
Internal sales	236	80	-	(316)[1]	-
Total revenue	**25,127**	**8,573**	**2,844**	**(316)**	**36,228**
Results					
Depreciation and amortization	(5,416)	(691)	(402)	(275)	(6,784)
Revaluations recognized in the income statement	(160)	(9)	102	52	(15)
Loss on disposal of property, plant and equipment	(58)	(21)	(8)	-	(87)
Finance costs, net	-	-	-	(2,074)	(2,074)
Other expenses, net	-	-	-	(223)	(223)
Segment profit / (loss)	**11,587**	**1,420**	**1,575**	**(9,855)[5]**	**4,727**
Segment assets	**158,807**	**10,704**	**2,521**	**18,189[2]**	**190,221**
Segment liabilities	**1,662**	**439**	**54**	**48,428[3]**	**50,583**
Other segment information:					
Capital expenditures:[4]	**26,094**	**780**	**254**	**178**	**27,306**

1. Internal sales are eliminated on consolidation.
2. Segment assets do not include property, plant and equipment for administrative purposes (USD 8,630 thousand), intangible assets other than goodwill (USD 506 thousand), investment in associates (USD 44 thousand), deferred transaction costs (USD 150 thousand), restricted cash (USD 42 thousand), goodwill (USD 2,167 thousand), deferred tax assets (USD 403 thousand), taxes prepaid (USD 3,089 thousand), corporate income tax prepaid (USD 733 thousand), due from related parties (USD 125 thousand), other prepayments (USD 461 thousand) and cash and cash equivalents (USD 1,839 thousand) as these assets are managed on a group basis.
3. Segment liabilities do not include long- and short-term borrowings (USD 36,023 thousand), derivative financial instruments (USD 790 thousand), deferred tax liabilities (USD 10,850 thousand), interest payable (USD 352 thousand), taxes payable (USD 386 thousand), corporate income tax payable (USD 2 thousand) and due to related parties (USD 25 thousand) as these liabilities are managed on a group basis.
4. Capital expenditure consists of additions of property, plant and equipment and intangible assets.
5. Profit for the operating segments does not include general and administrative expenses (USD 4,373 thousand) and salaries and employee benefits of administrative employees (USD 2,962 thousand).

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

2012	Land	Buildings	Furniture and Equipment	Capital Work- in-Progress	Total
In thousands of US Dollars					
Net carrying amount at 1 January	19,111	120,896	13,398	11,876	165,281
Additions	272	582	995	8,228	10,077
Revaluations recognized in the statement of comprehensive income	288	(2,750)	-	-	(2,462)
Revaluations recognized in the income statement	134	(19,058)	-	-	(18,924)
Impairment	-	-	-	(2,469)	(2,469)
Disposals	-	(1,328)	(127)	-	(1,455)
Transfers	-	15,225	1,292	(16,517)	-
Depreciation charge for the year	-	(3,648)	(4,375)	-	(8,023)
Depreciation on disposals	-	55	77	-	132
Translation reserve	(299)	(1,992)	(185)	(291)	(2,767)
Net carrying amount at 31 December	**19,506**	**107,982**	**11,075**	**827**	**139,390**
Gross book value	19,506	107,982	29,574	827	157,889
Accumulated depreciation	-	-	(18,499)	-	(18,499)
Net carrying amount at 31 December	**19,506**	**107,982**	**11,075**	**827**	**139,390**

The Group recognized impairment for Capital Work-in-Progress in the amount of USD 2,579 thousand attributable to the projects that are not going to be undertaken in the future.

Transfers from Capital Work-in-Progress to Buildings and Furniture and Equipment mainly consist of the completed project, Townhouses.

2011	Land	Buildings	Furniture and Equipment	Capital Work- in-Progress	Total
In thousands of US Dollars					
Net carrying amount at 1 January	25,137	106,748	9,979	21,155	163,019
Additions	80	717	3,449	22,882	27,128
Revaluations recognized in the statement of comprehensive income	(7,479)	(9,373)	-	-	(16,852)
Revaluations recognized in the income statement	10	(25)	-	-	(15)
Disposals	-	-	(292)	-	(292)
Transfers	1,552	27,141	3,433	(32,126)	-
Depreciation charge for the year	-	(3,280)	(3,232)	-	(6,512)
Depreciation on disposals	-	-	170	-	170
Translation reserve	(189)	(1,032)	(109)	(35)	(1,365)
Net carrying amount at 31 December	**19,111**	**120,896**	**13,398**	**11,876**	**165,281**
Gross book value	19,111	120,896	27,599	11,876	179,482
Accumulated depreciation	-	-	(14,201)	-	(14,201)
Net carrying amount at 31 December	**19,111**	**120,896**	**13,398**	**11,876**	**165,281**

Transfers from Capital Work-in-Progress to Buildings and Furniture and Equipment mainly consist of the following projects completed: Ural Residence, Technical Building and electricity line (10 kW) in Caspi Limited LLP.

Capital Work-in-Progress

The Group develops real estate properties in West Kazakhstan which are mainly related to Caspi Limited LLP. The New Office Building is expected to be completed in 2013-2014. The carrying amount of capital work-in progress as at 31 December is as follows:

In thousands of US Dollars	**2012**	**2011**
Caspi Limited LLP		
New Office Building	762	762
Townhouses	-	6,867
Masterplan	-	2,735
Other	65	16
	827	**10,380**
Aktau Development Company LLP		
RCP Camp	-	188
Caspian Star	-	899
Other projects	-	409
	827	**11,876**

Capitalized borrowing costs

The amount of borrowing costs capitalized during the year ended 31 December 2012 was USD 139 thousand (2011: USD 1,278 thousand).

Revaluation of land and buildings

The Group engaged an independent appraiser at 31 December 2012 and 2011 to determine the fair value of its land and buildings.

Fair value of land is determined by reference to market-based evidence by using the comparative approach which is based on comparison with similar properties where information on prices of transactions is available.

The fair value of buildings has substantially been determined by using the income approach which is based on determination of expected profit from the buildings being valued. The capitalization rate used in the income approach calculations varies in the range of 13.91% - 18.55%.

If land and buildings were carried under the cost model, the carrying amounts would have been as follows:

2012	**Land**	**Buildings**	**Total**
In thousands of US Dollars			
At cost	11,028	103,013	114,041
Accumulated depreciation	-	(10,929)	(10,929)
Net carrying amount at 31 December	**11,028**	**92,084**	**103,112**

2011	**Land**	**Buildings**	**Total**
In thousands of US Dollars			
At cost	10,926	89,930	100,856
Accumulated depreciation	-	(8,841)	(8,841)
Net carrying amount at 31 December	**10,926**	**81,089**	**92,015**

Long-term prepayments

Long-term prepayments for the year ended 31 December are as follows:

In thousands of US Dollars	2012	2011
Prepayments for construction materials and works	-	7,205
Prepayments for furniture, fittings and equipment	94	108
	94	**7,313**

Breakdown of prepayments by projects for the year ended 31 December is as follows:

In thousands of US Dollars	2012	2011
Caspi Limited LLP		
Townhouses	-	7,110
Residence buildings	-	25
Other projects	94	178
	94	**7,313**

Contractual Performance Bonds

As part of its business activity the Group enters into contracts with construction companies. Some of the contracts contain guarantee clauses which mitigate the risk of defaults or non-performance by the construction companies.

As at 31 December 2012 the Group had no contractual performance bonds while as at 31 December 2011 the contractual performance bonds from the Banks of third parties (General Contractors) for the purchase of property, plant and equipment related to the Townhouses in Caspi Limited LLP were in the amount of USD 471 thousand. A bond given by a bank to the Group guarantees that if a specified contractor fails to fulfil the terms of a specified contract, the bank will be responsible for sustained losses incurred by the Group limited to the bonded amounts.

9 GOODWILL

The movement of goodwill for the year ended 31 December is as follows:

In thousands of US Dollars	2012	2011
Cost:		
At 1 January	2,167	2,182
Translation difference	(34)	(15)
Impairment	(2,133)	-
At 31 December	**-**	**2,167**

Goodwill impairment test

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

In thousands of US Dollars	2012	2011
Aktau Development Company LLP	-	1,617
Bayan Limited LLP	-	276
Chagala Aksai LLP	-	274
	-	**2,167**

The recoverable amount of the cash-generating units ("CGU") has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period.

The cash flows at Aktau Development Company are projected based on average occupancy rate of 46% (2011: 59%) during the next five years discounted at a post-tax rate of 16.14% (2011: 16.00%). The cash flows at Bayan Limited are projected based on average occupancy rate of 50% (2011: 66%) during the next five years discounted at a post-tax rate of 18.36% (2011: 20.49%). The cash flows at Chagala Aksay are projected based on average occupancy rate of 33% (2011: 58%) during the next five years discounted at a post-tax rate of 16.14% (2011: 16.28%).

The cash flows beyond the five-year period for each CGU are extrapolated using 3.71% (2011: 4.1%) growth rate which approximates the long-term inflation rate forecast.

As a result of this analysis, management has recognised an impairment charge for goodwill of USD 2,133 thousand during 2012.

Key assumptions used in value in use calculations

Key assumptions on which management has based its determination of value in use include discount rates, average room occupancy rates and growth rates. Any significant future changes in the market and competitive environments could have an effect on the value of the cash-generating units.

Discount rates represent the current market assessment of the risks specific to each cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group, its cash generating units and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available marked data.

Average room occupancy rates are based on average values achieved in previous years and forecasted assumptions approved by management. Market share assumptions relate to how management assesses the unit's position, relative to its competitors, might change over the forecast period. Management expects the Group's market share to be stable over the forecast period.

10 INVENTORIES

As at 31 December, inventories consisted of the following:

In thousands of US Dollars	**2012**	**2011**
Housekeeping goods	1,103	927
Apartments for sale	476	-
Restaurant & kitchen supplies	448	410
Materials	447	484
Spare parts	345	427
Food and beverages	194	205
Stationery and office equipment	81	94
Working clothes	45	61
Other	829	696
	3,968	**3,304**

As at 31 December 2012 inventories include expenses in the amount of USD 476 thousand incurred by Caspi Limited LLP for development of the Sarayshyk project on behalf of an associate, Arrowhead B.V. These expenses will be reimbursed in 2013.

Inventories recognised as an expense are as follows:

In thousands of US Dollars	**2012**	**2011**
Cost of sales - Food and Beverages	2,256	2,758
Repairs and maintenance	719	667
Housekeeping goods	418	502
Replacement costs	135	179
Other	734	575
	4,262	**4,681**

11 ACCOUNTS RECEIVABLE

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

In thousands of US Dollars	**2012**	**2011**
Trade accounts receivable	5,078	4,675
Other	150	150
	5,228	**4,825**
Allowance for doubtful debts	(62)	(61)
	5,166	**4,764**

Accounts receivable are non-interest bearing and are generally on 7 to 30-day term. The Group's accounts receivable is denominated in US Dollars (30%) and Tenge (70%).

At 31 December 2012 the largest trade accounts receivable are from NCPOC representing 71% (at 31 December 2011: from AGIP KCO representing 67%) of total trade accounts receivable.

The movements in the allowance for doubtful debts were as follows for the years ended 31 December:

In thousands of US Dollars	**2012**	**2011**
As at 1 January	(61)	(245)
Charge for the year	(89)	(134)
Write-offs	88	204
Reversals	-	114
As at 31 December	**(62)**	**(61)**

As at 31 December the ageing analysis of accounts receivable is as follows:

		Neither past due nor	**Past due but not impaired**				
In thousands of US Dollars	**Total**	**impaired**	**<30 days**	**30-90 days**	**90-120 days**	**120-360 days**	**>360 days**
2012	**5,166**	3,130	1,738	237	46	15	-
2011	**4,764**	3,291	1,199	150	122	2	-

See Note 28 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

12 TAXES PREPAID

As at 31 December taxes prepaid consisted of the following:

In thousands of US Dollars	**2012**	**2011**
VAT recoverable	2,331	3,066
Other taxes prepaid	73	23
	2,404	**3,089**

13 OTHER PREPAYMENTS

As at 31 December other prepayments consisted of the following:

In thousands of US Dollars	**2012**	**2011**
Advances paid to suppliers	291	237
Other	211	230
	502	**467**
Allowance for doubtful debts	(4)	(6)
	498	**461**

At 31 December other prepayments were made in the following currencies:

In thousands of US Dollars	**2012**	**2011**
Tenge	467	449
US dollars	35	18
	502	**467**

14 CASH AND CASH EQUIVALENTS

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

In thousands of US Dollars	**2012**	**2011**
Cash in current bank accounts	694	1,796
Cash on hand	60	43
	754	**1,839**

Cash in current bank accounts does not earn interest.

At 31 December cash and cash equivalents were denominated in the following currencies:

In thousands of US Dollars	**2012**	**2011**
Tenge	410	871
US dollars	329	941
Other currencies	15	27
	754	**1,839**

15 SHARE CAPITAL AND OTHER RESERVES

Ordinary shares issued and fully paid

At 31 December 2012 and 2011, the authorised, issued and fully paid shares of the Group consist of 85,027,302 shares of USD 0.10 each.

Dividends paid

In 2012 no announcement of dividends payments was made.

In July 2011 the Group announced the payment of dividends of 3.5 cents per share based on results of 2010 where the total dividend payment constituted USD 2,976 thousand.

In April 2011 Chagala Aksai LLP announced a payment of dividends in the amount of USD 384 million. Dividends paid to non-controlling interest constituted USD 192 thousand.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements from the functional to presentation currency.

Revaluation reserve and other movements

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

Other movements represent revaluation reserve related to assets being disposed of that was transferred to retained earnings.

Charter capital distribution (non-controlling interests)

In 2012 Chagala Aksai LLP announced the decrease in the charter capital in the amount of USD 572 thousand. USD 286 thousand is related to non-controlling interests: USD 250 thousand were offset with the loans provided to non-controlling interests and the rest of USD 36 thousand was paid in cash.

Nature and purpose of other reserves

Share-based payment plans

The Group grants options to its senior management and directors to subscribe ordinary shares in the Group. The options are granted under the established Chagala Group Limited share option scheme (the "Plan"). There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

In 2012 the amount of share options recorded within salaries and employee benefits in the income statement was USD 34 thousand (2011: USD 219 thousand).

The following table illustrates the number and weighted average exercise prices (WAEP)* of, and movements in, share options during the year:

In US Dollars	**Number 2012**	**WAEP 2012**	**Number 2011**	**WAEP 2011**
As at 1 January 2012	1,514,440	0.855	834,440	0.880
Granted	140,000	0.575	680,000	0.825
Expired	(154,440)	0.900	-	-
As at 31 December 2012	**1,500,000**	**0.824**	**1,514,440**	**0.855**

**The Company listed Global Depository Receipts which each represent 4 shares.*

The weighted average remaining contractual life for the share options outstanding as at 31 December 2012 was 2.04 years (2011: 2.63 years).

The range of exercise prices for options outstanding at 31 December 2012 was USD 0.575 to USD 0.9 (2011: USD 0.825 to USD 0.875).

The following table lists the inputs to the models used for the plans for the years ended 31 December, respectively:

	2012	**2011**
Dividend yield (%)	-	-
Expected volatility (%)	50	50
Risk–free interest rate (%)	0.72	1.59
Expected life of share options (years)	4	4
Weighted average share price (USD)	0.600	0.875

The fair value of the options is estimated at the grant date using the Black-Scholes-Merton pricing model, taking into accounts the terms and conditions upon which the instruments were granted. The granted options were vested immediately at the grant date.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

	2012	2011
Weighted average number of ordinary shares outstanding (thousands)	85,027	85,027
Effect of dilution		
Share options (thousands)	-	-
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (thousands)	85,027	85,027
(Loss) / profit for the year attributable to equity holders of the parent (in thousands of US Dollars)	(24,908)	2,434
Basic and diluted (losses) / earnings per share, US Dollars	**(0.29)**	**0.03**

In 2012 and 2011 share options were not considered dilutive as the exercise price of the share options exceeded the average market price of ordinary shares during the years.

16 LONG-TERM BORROWINGS

As at 31 December long-term borrowings comprised the following:

In thousands of US Dollars	currency	2012	2011
Long-term borrowings:			
Kazinvestbank JSC	KZT	9,036	7,448
HSBC Bank Kazakhstan	KZT	4,026	-
HSBC Bank and Raiffeisen Bank	USD	-	17,912
		13,062	**25,360**
Current portion of long-term borrowings:			
Kazinvestbank JSC	KZT	3,172	1,986
HSBC Bank Kazakhstan	KZT	1,006	-
HSBC Bank and Raiffeisen Bank	USD	-	6,532
AGIP	USD	-	123
		4,178	**8,641**
Total long-term borrowings		**17,240**	**34,001**

Kazinvestbank JSC

In September 2011, Caspi Limited LLP concluded an agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility in the amount equivalent to USD 9,288 thousand (KZT 1,400 million) for financing the construction of Townhouses with maturity date September 2016. In 2011 the credit facility was fully drawn. The interest rate for the first year is fixed at 9.5%, and the interest rate for the subsequent periods is defined as refinancing interest rate of National Bank of RK (refinancing interest rate) plus 2%, but in total not exceeding 12%. In 2012 the effective interest rate was 9.85% (2011: 9.85%).

Additionally, in November 2012 Caspi Limited, Aktau Development Company and Bayan Limited concluded a joint agreement with Kazinvestbank JSC to open a KZT denominated non-revolving credit facility in the amount equivalent to USD 5,048 thousand (KZT 761 million) with maturity date November 2016. The purpose of the credit facility is refinancing of the borrowings from HSBC Bank and Raiffeisen Bank. In 2012 it was fully drawn. The interest rate for the first year is fixed at 9.5%, and the interest rate for the subsequent periods is defined as refinancing interest rate plus 4%. In 2012 the effective interest rate was 10.84%.

As at 31 December 2012 the credit facilities are secured as follows:

- Pledged immovable properties with a carrying amount of USD 34,463 thousand;
- Assigned demand of receivables under existing contracts and future cash flows from the sale of services under existing contracts for the equivalent amount of USD 7,297 thousand (KZT 1,100 million);
- Corporate guarantee issued by Chagala Group Limited.

HSBC Bank Kazakhstan

In December 2012, Caspi Limited, Aktau Development Company and Bayan Limited concluded a joint agreement with HSBC Bank Kazakhstan to open a KZT denominated non-revolving credit facility for the amount equivalent to USD 5,032 thousand (KZT 759 million) with maturity date December 2015. The purpose of the credit facility is refinancing of the borrowings from HSBC Bank and Raiffeisen Bank. In 2012 it was fully drawn. The interest rate is defined as refinancing interest rate plus 4%. In 2012 the effective interest rate was 10.77%.

As at 31 December 2012 the credit facility was secured by pledged immovable properties with a carrying amount of USD 13,304 thousand.

HSBC Bank and Raiffeisen Bank

On 12 June 2008, the Group entered into a credit facility agreement with HSBC Bank Kazakhstan JSC and Raiffeisen Zentralbank Osterreich AG. The total amount of the credit facility was USD 53,500 thousand. On 22 November 2010, the amended agreement was signed in order to decrease the total amount of the credit facility to USD 34,307 thousand and replace one of the lenders - Raiffeisen Zentralbank Osterreich AG with another lender - Raiffeisen Bank International AG.

As at 31 December 2011 the Group has fully drawn the credit facility with an outstanding balance of USD 25,730 thousand which was fully redeemed in 2012 by means of refinancing with KZT denominated borrowings from Kazinvestbank JSC, HSBC Bank Kazakhstan and issued Bonds. The unamortized part of costs related to arrangement of credit facility in the amount of USD 1,286 thousand as at 31 December 2011 was fully written-off to finance costs in 2012 with additional costs of USD 119 thousand and translation difference of USD 55 thousand. In 2012 the effective interest rate was 10.56% (2011: 10.56%).

As at 31 December 2012 the total notional amount of USD 19,909 thousand is under the interest rate swap agreements (31 December 2011: USD 25,730 thousand). The fair value of the interest rate swap instruments was recognized as a liability in the amount of USD 581 thousand as at 31 December 2012 (31 December 2011: USD 790 thousand) with respective charge to finance income. The Group monitors changes in market interest rates and plans to terminate the swap agreements at the favourable conditions.

17 SHORT-TERM BORROWINGS

In September 2011 Caspi Limited LLP entered into KZT denominated revolving credit line facility in the equivalent amount of USD 2,022 thousand (KZT 300 million) with HSBC Bank Kazakhstan JSC with original maturity date May 2012. The initial interest rate was fixed at 6.96%. In May 2012 the credit facility was extended to May 2013 with the change in the interest rate to 8.4%. In 2012 and 2011 the credit line was fully drawn.

In December 2011 Aktau Development Company LLP entered into USD denominated revolving credit line facility in the amount of USD 500 thousand (equivalent to KZT 75 million) with HSBC Bank Kazakhstan JSC with original maturity date November 2012. In November 2012 the credit line was extended to May 2013 and converted to KZT denominated credit line facility. The initial interest rate was fixed at 7.5%, which was changed to 8.4% based on the amended agreement. In 2012 the credit line was fully drawn (in 2011: not drawn).

The credit facilities are used for financing working capital requirements and secured by the corporate guarantee of Chagala Group Limited.

18 BONDS PAYABLE

In March 2012 Caspi Limited LLP announced the placement on the Kazakhstan market 5-year KZT denominated bond in the amount equivalent to USD 14,296 thousand (KZT 2,250 million) with a coupon rate of 10% per annum. The principal amount is payable in December 2016 and the interest is payable in semi-annual instalments.

The bond proceeds are used for financing construction of residential and commercial real estate in the Republic of Kazakhstan, as well as for repayment of some liabilities to creditors, including the credit facility with HSBC Bank and Raiffeisen Bank.

As at 31 December bonds payable are as follows:

In thousands of US Dollars	**2012**	**2011**
Principal amount	14,926	-
Unamortised discount including arrangement fee (collectively, “discount”)	(1,026)	-
Carrying amount of bonds payable	**13,900**	**-**

The amortisation of discount for the years ended 31 December was as follows:

In thousands of US Dollars	**2012**	**2011**
As at 1 January	-	-
Discount on bonds	(1,190)	-
Amortization of discount	153	-
Translation difference	11	-
As at 31 December	**(1,026)**	**-**

19 TRADE ACCOUNTS PAYABLE

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

In thousands of US Dollars	**2012**	**2011**
Supplies	1,302	1,300
Construction services	26	593
	1,328	**1,893**

Trade accounts payable are non-interest bearing and are normally settled on 30-day terms. The majority of trade payables are KZT denominated.

20 TAXES PAYABLE

As at 31 December current taxes payable consisted of the following:

In thousands of US Dollars	**2012**	**2011**
VAT payable	175	112
Withholding tax payable in respect of import contracts	34	85
Property tax	-	8
Other taxes	138	181
	347	**386**

21 OTHER NON-CURRENT LIABILITIES

As at 31 December 2012 other non-current liabilities represent security deposit for the performance of obligations.

22 OTHER PAYABLES AND ACCRUALS

As at 31 December 2012 and 2011 other payables and accruals represent payables to employees.

23 SALARIES AND EMPLOYEE BENEFITS

Salaries and employee benefits for the year ended 31 December comprised the following:

In thousands of US Dollars	**2012**	**2011**
Payroll and related taxes	7,804	8,231
Benefits	1,480	1,652
	9,284	**9,883**

24 FINANCE INCOME / COSTS

As at 31 December finance income comprised the following:

In thousands of US Dollars	2012	2011
Gain on swap derivative instrument not designated as hedge	207	-
Other	10	41
	217	**41**

As at 31 December finance costs comprised the following:

In thousands of US Dollars	2012	2011
Interest expense on borrowings	3,287	1,418
Amortisation of loan arrangement fees	1,460	377
Unwinding of bond discount	153	-
Loss on swap derivative instrument not designated as hedge	-	230
Other	32	49
	4,932	**2,074**

25 INCOME TAX (BENEFIT) / EXPENSE

Income tax benefit or expense for the year ended 31 December comprised the following:

In thousands of US Dollars	2012	2011
Income tax expense - current	134	1,489
Deferred income tax (benefit) / expense	(3,138)	946
Income tax (benefit) / expense reported in the consolidated income statement	**(3,004)**	**2,435**
Revaluation of land and buildings	(492)	(695)
Deferred tax benefit reported in the consolidated other comprehensive income	**(492)**	**(695)**

The accounting profit multiplied by the Company's domestic tax rate is reconciled to tax benefit or expense as follows:

In thousands of US Dollars	2012	2011
(Loss) / income before taxation	**(28,182)**	**4,727**
Theoretical tax (benefit) / charge at statutory rate of 20%	(5,636)	945
Tax effect of items which are not deductible or assessable for taxation purposes:		
Impairment of Capital work-in-progress , Goodwill and Intangibles	937	-
Unrecognized deferred tax assets	807	522
Non-deductible expenses of the Parent, COOP and BV	577	399
Non-deductible tax losses	6	324
Other non-deductible expenses	305	245
Income tax (benefit) / expense reported in the consolidated income statement	**(3,004)**	**2,435**

The deferred tax balances as at 31 December were as follows:

In thousands of US Dollars	**2012**	**2011**
Deferred tax assets		
Losses carry-forward	2,764	2,268
Other	349	307
	3,113	**2,575**
Deferred tax liabilities		
Property, plant and equipment	(9,789)	(13,022)
	(9,789)	**(13,022)**
Deferred tax liability, net	**(6,676)**	**(10,447)**

Reflected in the consolidated financial statements as at 31 December as follows:

In thousands of US Dollars	**2012**	**2011**
Deferred tax assets	912	403
Deferred tax liabilities	(7,588)	(10,850)
Deferred tax liability, net	**(6,676)**	**(10,447)**

Reconciliation of deferred tax liabilities, net:

In thousands of US Dollars	**2012**	**2011**
As at 1 January	(10,447)	(10,253)
Deferred tax benefit / (expense) reported in the income statement	3,138	(946)
Deferred tax benefit reported in the other comprehensive income	492	695
Translation reserve	141	57
As at 31 December	**(6,676)**	**(10,447)**

Unrecognized deferred tax assets in 2012 in the amount of USD 807 thousand are related to the RCP camp project within Aktau Development Company LLP. Business plans associated with this project have not materialized sufficiently to support recognition of the deferred tax assets.

Unrecognized deferred tax assets in 2011 in the amount of USD 522 thousand are related to the Caspian Star project within Aktau Development Company LLP. In 2012 it was fully unrecognized, since the Client is not going to undertake the project in the future.

In the context of the Group’s current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a consolidated net tax loss. Therefore, deferred tax assets of one company of the Group are not offset against the deferred tax liabilities of another company.

26 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

During the year ended 31 December 2012 and 2011 the Group entered into transactions with related parties. Those transactions along with related balances at 31 December 2012 and 2011 and for the periods then ended are presented in the following table:

Consolidated Statement of Financial Position as at 31 December:

In thousands of US Dollars	**2012**	**2011**
Amounts due from related parties, including loans		
Associates	229	-
Other related parties	67	125
	296	**125**
Amounts due to related parties:		
Associates	67	-
Other related parties	24	25
	91	**25**

Consolidated Income statement for the year ended 31 December:

There was no material transactions recorded in consolidated income statement in 2012 and 2011.

Key Management Personnel

In thousands of US Dollars	**2012**	**2011**
Remuneration and compensation paid	1,630	1,028
Share-based payments (Note 15)	34	219

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling nine persons during 2012 (2011: eight). The total compensation to key management personnel is included in salaries and employees benefits in the consolidated income statement.

Terms and conditions of transactions with related parties

The Group provides a 30% discount on hotel services to related parties. Outstanding balances at year-end are unsecured and interest free and settlement occurs via bank transfer. There were no financial guarantees provided for any related party payables.

27 CONTINGENT COMMITMENTS AND OPERATING RISKS

Operating environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group’s financial position, results of operations and business prospects. The Group’s operations and financial position will continue to be affected by Kazakhstan political developments including the application of existing and future legislation and tax regulations.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable. However these consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

Taxation

Tax legislation and regulations of Republic of Kazakhstan are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at 20% per annum. As a result, penalties and interest can amount to multiples of any unreported taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with the Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2012.

As at 31 December 2012 management believes that its interpretations of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Contractual commitments

As at 31 December 2012 the Group had no material contractual commitments for the purchase of property, plant and equipment from third parties (31 December 2011: USD 2,317 thousand)

28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash and short-term deposits as well as accounts receivable, loans, borrowings, accounts payable and derivatives. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk.

Market risk

Market risk is the risk that the fair values of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise different types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, bonds payable, deposits and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Group's long-term debt obligations with floating interest rates related to refinancing interest rate of National Bank of RK (refinancing interest rate).

In addition, as at 31 December 2012 the Group has interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts related to Libor calculated by reference to an agreed-upon notional principal amount of borrowings (Note 16). In 2012 the underlying borrowings were closed leaving the exposure to the risk due to change in LIBOR rate for still opened interest rate swaps.

As at 31 December 2012 approximately 51% of the Group's borrowings are at a floating interest rate (2011: 27%).

As at 31 December 2012 the Group has not enter into any hedging instruments to mitigate any potential risks since management does not believe the interest rate risk associated with the borrowings is significant.

The following table demonstrates the sensitivity of a possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

In thousands of US Dollars	***Increase / decrease in basis points***	***Effect on profit before tax***
2012		
Refinancing interest rate	+100	(172)
	-100	172
LIBOR	+100	199
	-100	(199)
2011		
Refinancing interest rate	+100	(94)
	-100	94

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and foreign currency derivatives.

In 2012 the Group reduced the currency risk by means of refinancing US dollars denominated borrowings with KZT denominated borrowings and bonds payable.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all the variables held constant, of the Group's profit before income tax.

	2012		**2011**	
In thousands of US Dollars	**Increase / decrease in exchange rate**	**Effect on profit before tax**	**Increase / decrease in exchange rate**	**Effect on profit before tax**
US Dollar	+10%	116	+10%	(1,982)
US Dollar	-10%	(142)	-10%	2,423

Credit risk

The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 11.

With respect to credit risk arising from cash at bank, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits, borrowings and bonds payable.

The tables below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

In thousands of US Dollars	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
As at 31 December 2012						
Borrowings	-	766	7,393	15,035	-	**23,194**
Bonds payable	-	-	1,493	19,404	-	**20,897**
Derivative financial instruments	-	91	231	278	-	**600**
Trade accounts payable	1,328	-	-	-	-	**1,328**
Due to related parties	91	-	-	-	-	**91**
Other non-current liabilities	-	-	-	236	-	**236**
Other payables and accruals	140	-	-	-	-	**140**
	1,559	**857**	**9,117**	**34,953**	**-**	**46,486**
As at 31 December 2011						
Borrowings	-	5,092	7,909	29,721	-	**42,722**
Derivative financial instruments	-	127	353	648	-	**1,128**
Trade accounts payable	1,893	-	-	-	-	**1,893**
Due to related parties	25	-	-	-	-	**25**
Other payables and accruals	206	-	-	-	-	**206**
	2,124	**5,219**	**8,262**	**30,369**	**-**	**45,974**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio below 50%.The debt includes borrowings, bonds payable and trade accounts payable. Capital includes equity attributable to the equity holders of the Group.

The debt-to-equity ratio at the year-end was as follows:

In thousands of US Dollars	**2012**	**2011**
Borrowings	19,727	36,023
Bonds payable	13,900	-
Trade accounts payable	1,328	1,893
Total debt	34,955	37,916
Equity	106,492	135,304
Debt-to-equity ratio	**0.33**	**0.28**

Fair values

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

The carrying amount of cash, trade accounts receivable, accounts payable and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments.

The fair value of borrowings and bonds payable is estimated by discounting future cash flows using rates currently available for debt with similar terms and remaining maturities. The fair value approximates their carrying values gross of unamortised transaction costs.

The fair value of the derivative interest rate swap contracts are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument.

In thousands of US Dollars	***Carrying amount***		***Fair value***	
	2012	**2011**	**2012**	**2011**
Financial assets:				
Trade accounts receivable	5,166	4,764	5,166	4,764
Due from related parties	296	125	296	125
Cash and cash equivalents	754	1,839	754	1,839
Financial liabilities:				
Borrowings	19,727	36,023	19,727	37,337
Bonds payable	13,900	-	14,224	-
Interest payable	280	352	280	352
Derivative financial instruments	581	790	581	790
Trade accounts payable	1,328	1,893	1,328	1,893
Due to related parties	91	25	91	25
Other non-current liabilities	236	-	236	-
Other payables and accruals	140	206	140	206

Fair values hierarchy

The following table shows an analysis of the fair values of financial instruments recognised in the consolidated statement of financial position by level of the fair value hierarchy*:

In thousands of US Dollars	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
31 December 2012				
Derivative financial instruments	-	581	-	581
31 December 2011				
Derivative financial instruments	-	790	-	790

*Explanation of the fair value hierarchy:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.