



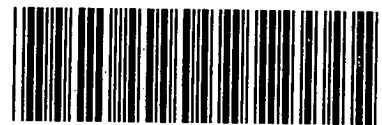
KAZPHOSPHATE LIMITED

**Consolidated Financial Statements and
Independent Auditor's Report**

For the period ended 31 December 2013

Company registration number: 06007551

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CONTENTS

STRATEGIC REPORT OF THE DIRECTORS	2
REPORT OF THE DIRECTORS	10
INDEPENDENT AUDITOR'S REPORT	11

Financial statements

Statements of Financial Position	13
Statements of Comprehensive Income	14
Statements of Changes in Equity	15
Statements of Cash Flows	16

NOTES TO THE FINANCIAL STATEMENTS

1. The Group and its Operations	17
2. Basis of Preparation and Significant Accounting Policies	17
3. Critical Accounting Estimates and Judgements in Applying Accounting Policies	29
4. New Accounting Pronouncements	31
5. Property, Plant and Equipment	33
6. Intangible Assets	36
7. Investment in Associate and Joint Venture	37
8. Other Non-current Assets	37
9. Company Investments	38
10. Inventories	39
11. Trade and Other Receivables	40
12. Loans Receivable	41
13. Taxes Receivable	42
14. Cash and Cash Equivalents	42
15. Company Called Share Capital	42
16. Group Deferred Tax Assets and Liabilities	43
17. Provisions for Asset Retirement Obligations	44
18. Employee Benefits	45
19. Borrowings	46
20. Trade and Other Payables	48
21. Other Taxes Payable	48
22. Revenue	49
23. Cost of Sales	50
24. Other Operating Income	50
25. Distribution Costs	50
26. General and Administrative Expenses	51
27. Other Operating Expenses	51
28. Net foreign exchange	51
29. Finance Income and Costs	52
30. Income Taxes	52
31. Employee Information	53
32. Balances and Transactions with Related Parties	53
33. Contingencies, Commitments and Operating Risks	53
34. Financial Risk Management	56
35. Capital Risk Management	59
36. Financial Instruments by Measurement Category	59
37. Fair Value of Financial Instruments	60
38. Subsequent Events	60
39. Profit of Parent company	60
40. Nature and purposes of reserves	60

KAZPHOSPHATE LIMITED

STRATEGIC REPORT OF THE DIRECTORS

The directors present their strategic report with the audited financial statements of the Group for the year ended 31 December 2013.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The following review relates to the group's only trading subsidiary Kazphosphate LLP, which operates in Kazakhstan. The functional currency of the Kazakh sub-subsidiaries is Kazakhstan Tenge.

1. Investments

The company invested its profits in the expansion and modernization of production lines. During the period from 1996 to 2006 it invested \$ 25 million and from 2007 to April 2014 the company invested \$ 200 million as below:

Repairs and purchase of new equipment, mln USD.

	1999-2006	2007	2008	2009	2010	2011	2012	2013
Repairs	41	11	19	16	12	18	17	20
Investment	25	7	35	12	12	11	51	67
TOTAL	66	18	54	28	24	29	68	87

Reconstruction and Production Modernization

During the period 2007 - 2013 the company's technical team developed and started the production of new products such as sodium hexametaphosphate, granular sodium triphosphate, slowly hydrating sodium triphosphate, alimentary sodium triphosphate and thermal phosphoric acid.

A processing technique for production of hydrating sodium triphosphate with predefined quality indicators was developed to increase the competitiveness of sodium triphosphate on the market. For this purpose two metal turbo-calciners were replaced by stainless steel.

The furnace of AKM-312 sinter machine was reconstructed for the first time in the history of phosphorous agglomeration. The reconstruction resulted in increased productivity: an increase by 5-8%, energy saving (electricity, gas, and compressed air) as well as low-mesh coke and phosphate savings.

Previously phosphorus sludge containing 40-50% phosphorus was burned in the cyclone equipment to extract a slurry phosphoric acid. Currently the technical team has launched the processing of sludge residuum in ore-thermal furnaces.

It is necessary to reduce the amount of phosphorus to use the furnace gas in production. This can be done by cooling the water in the second, the so called -"cold" or condensation stage before the temperature gets to 20-30 C.

At present the cooling of condensation water is processed by circulating water in clean cycle in the heat exchangers of the kiln department.

For this purpose, the failed wooden drip-membranous sprinklers that did not provide sufficient cooling of circulating water in the summer at the cooling towers SC-400 were replaced by the flare spray nozzles, modern air cooling equipment, polymeric sprinklers and extractors.

The installation of the new cooling system of condensation water helped decrease phosphorus loss with sludge, as well as significantly reducing the environmental impact by decreasing the emission of yellow phosphorus into the atmosphere.

One third of the old and obsolescent electric furnaces and transformers were replaced by improved and modern equipment for the production of yellow phosphorus. The investment in this project provides energy savings totalling 2.7 million kWh per year.

Reconstruction and commissioning of ferroalloy furnaces for drying coke

Previously, during the coke drying process the drums became filled with fine breeze due to detrition of coke. Similarly, the coke breeze got released into the atmosphere with gas emissions. The reconstruction and commissioning of ferroalloy furnaces contributed to natural gas saving, emission reduction and more efficient operation. The investment in this project saves up to 3.5 million nm3 per year of natural gas. Utilisation of waste soda solution in the production of sodium tripolyphosphate results in electricity and natural gas savings.

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

The "Mineral Fertilizers" branch works on the increase of production capacity and product mix, as well as the increase in quality and development of low-waste products and waste recycling. Production of phosphoric acid extraction was switched to dry removal of phosphogypsum that helped to reduce the waste phosphogypsum by 30 kg.

New production methods were researched for producing ammonium sulphate, slow - acting fertilizer by using the existing equipment.

The purification process of phosphoric acid extraction is being researched which will result in production of fertilizers with a high content of nutrients. A new method based on non-thickening pulp for superphosphate production was researched and put in actual production which has no prototype in the world. This method stops toxic emissions into the atmosphere that take place in the superphosphate production using conventional method.

In ammophos production the investment in the sequential evaporation of ammophos pulp at the evaporation plants results in an energy saving of up to 121.0 thousand KWh.

The investment in drainage pipeline on rotary vacuum filters in the department of extraction phosphoric acid in ammophos production results in an energy saving of 394 thousand KWh per year and in the future it will eliminate the use of sludge tanks.

In ammophos production the outdated pumps were replaced with upgraded modern equipment on the rotary vacuum filters at the department of extraction phosphoric acid which results in an energy saving of 622 thousand KWh per year. Installation of modern electric motors (FRC -630 kt6) at the grinding plants of Central Processing Factory, branch "Karatau" – resulted in energy saving of 1.43 million kWh per year, it also resulted in reduction of operating costs. Incandescent light bulbs were replaced by the energy-efficient ones in Sholaktau mines resulted in an energy saving of 3.8 thousand KWh per year.

The investment in energy efficient "EKORAS" burners on the industrial boilers for the production of thermal energy will help the Company to reduce fuel consumption (both gas and oil); gas consumption will be reduced by 3.5 million. Nm³ per year. etc.

Completed investment projects.

№	Project	Amount Mln tenge
1.	Furnace gas disposal system (SUPG) on the furnace №5,6 with Processing Automatic controlling system (ASUTP)	948
2.	Production of granular sodium tripolyphosphate	275
3.	Production of food-grade phosphoric acid	267
4.	Production of sodium hexametaphosphate. Joint project with Czech company "Fosfa"	500
5.	Recycling of phosphorus-containing sludge	114
6.	Purification of yellow phosphorus from harmful organic contaminants	100
7.	Replacement of cleaning equipment behind drying drums and FS furnace	183
8.	Production of sulfuric acid with Electricity Generation	15 176
9.	Renovation of the hostel for young professionals	88
10.	Acquisition of BELAZ mine dump truck, mining equipment	1 438
11.	Acquisition of tanks (sulfuric acid, ammonia, phosphate), diesel locomotive	1 669

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

2. Staff

The number of employees as at 31 December 2013 was 6,115 as per payroll report. The employee number increase in 2013 was mainly related to the commissioning of the sulfuric acid plant at the fertilization branch.

2.1 Kazphosphate LLP employee number per year per division.

Year	NDPHF	Fertilizers	RTU	"Karatau" Mine	"Chelaktau" Mine	SChP	ShDF	Taraz Office	Almaty Office	Total per year
2000	3204	901	238	2647	0	0	116	77	15	7198
2001	3286	972	263	2512	594	0	131	78	18	7854
2002	3242	993	268	2364	742	0	152	87	20	7868
2003	3381	1042	280	2376	791	884	149	92	20	9015
2004	2927	874	262	2127	740	518	45	81	25	7599
2005	2628	812	502	1703	550	383	44	79	30	6731
2006	2508	736	490	1594	514	250	44	74	35	6245
2007	2521	772	510	1552	517	215	40	85	45	6257
2008	2598	885	554	1683	596	423	47	94	49	6929
2009	2419	813	510	1506	532	334	46	89	47	6296
2010	2288	797	512	1422	505	105	45	90	48	5812
2011	2335	805	527	1459	519	96	45	89	51	5926
2012	2336	805	526	1497	533	78	45	85	49	5954
2013	2307	969	526	1527	542	65	45	86	48	6115

3. Social contributions/donations.

Annually the company allocates funds to improve and refurbish health care facilities for the personnel.

3.1 Kazphosphate LLP spending for refurbishment and upgrading of facilities mln tenge.

Facility	2001-2006	2007	2008	2009	2010	2011	2012	2013
"Koktal" Spa	229,06	64,02	83,73	102,02	121,72	134,82	145,24	156,86
"Zhudiz" Youth camp	65,3	17,9	29,22	24,56	29,08	28,3	35,73	32,90
"Druzhba" Guest House	32,5	5,01	12,47	12,68	9,65	10,83	13,59	14,73
"Phosporite" Sport Complex	15,24	8,05	7,83	2,66	0,04	2,23	4,69	6,75
Other facilities	71,44	49,73	34,42	29,4	28,4	37,54	64,15	67,07
TOTAL	413,54	144,71	167,67	171,33	188,89	213,72	263,40	278,31

The company supports Recreational Youth Camp "Zhuldyz" and "Koktal" Spa that operates all year around, where the company's employees, children from orphanages and pensioners on low income receive treatment.

During the year changing facilities in all branches (showers, locker rooms, personal hygiene rooms) were renovated.

Kazphosphate LLP is engaged in large-scale charitable and sponsorship activities such as supporting orphanages and boarding schools, sporting events and sports clubs. During the period from 2007 to 2013 the company has contributed over 401 million tenge to charities.

4. Spending in Kazakhstan.

Kazphosphate LLP is a major consumer of goods and services in Kazakhstan. Annually the company subcontracts up to 25 companies in Zhambyl Region.

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

Share of Kazakhstani suppliers compared to the total procurement in mln tenge.

Annually	2008	2009	2010	2011	2012	2013
Total value of purchases including:	40 909	15 486	23 855	38 231	49 593	47 257
goods	31 174	11 052	18 512	30 467	38 628	36 232
labour	702	727	624	841	2 690	2 625
services	9 033	3 707	4 719	6 923	8 275	8 400
Purchases from Kazakhstani suppliers:	28 456	11 886	18 538	26 543	32 390	32 896
goods	18 721	7 732	13 198	18 827	21 425	22 702
labour	702	727	621	807	2 690	2 625
services	9 033	3 428	4 719	6 909	8 275	7 569
%	70,0	76,8	77,7	69,3	65,3	69,6

5. Current market conditions for products and market forecasts.

Yellow phosphorus

Yellow phosphorus is a strategically important product for Kazphosphate LLP, which contributed to 62.06% of the company's total export sales in 2013.

90% of the company's phosphorus exports go to the European Union and 10% to USA. Europe is the company's target market because of expensive logistics and no access to seaports to the other major markets (South-East Asia, Latin and North America). Over the past 5 years Kazphosphate LLP almost completely drove out the competitors from the EU market and the share of the EU market has significantly increased due to the bankruptcy of the sole producer in the EU – Thermphos International BV.

Currently, the yellow phosphorus supply in the world market is slightly greater than the demand. The total volume of world capacity for the production of yellow phosphorus is 2,236 million tons, of which China produces 80% (1.8 million tonnes) and is the main competitor of the company. Similarly, China is also the largest consumer of phosphorus in the world. In addition, manufacturers from Vietnam have recently supplied small quantities of yellow phosphorus to the EU market.

Yellow phosphorus produced by Kazphosphate LLP proved to be competitive, which eventually led to the replacement of Chinese and Vietnamese products by the Kazakhstani manufacturers. Kazphosphate LLP has a strong position in this market due to the relatively simple logistics (direct transportation by railway to the end customers or to the ports where the products are trans-shipped in their own tanks or containers) which ensures that the delivery schedules are reliable and products are delivered within a relatively short period of time (average transit period - 1 month). The company has long-term contracts with major phosphorus consumers which provide a stable position for the company's sales in relation to this product.

The launch of a new line product - phosphorus cleared of arsenic is an opportunity for Kazphosphate LLP to break through to new markets - India, Japan, South Africa, Latin America, South Korea.

Phosphoric Acid

Phosphoric acid is mainly consumed by the production of sodium triphosphate at the Novodzhambul Phosphorus Plant. However, about 20% of its production is sold in CIS market. Factories and plants are major consumers of phosphoric acid and therefore product price is more important than quality. Nowadays, Kazphosphate LLP's main competitors are manufacturers of phosphoric acid through extraction and Chinese suppliers. However, there is a niche in the market for thermal phosphoric acid, which is fully occupied by Kazphosphate LLP as only thermal acid is used in the production of food phosphates, dishwasher detergents, glass industry and pharmaceuticals.

Being the only manufacturer of thermal acid in CIS, Kazphosphate LLP has a rather strong position with this product in the CIS market.

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

Sodium triphosphate

The sodium triphosphate market is mainly determined by the demand from detergent and ceramics producers. Currently the supply of sodium triphosphate exceeds demand in world markets. Recent changes in the environmental requirements for detergent manufacturers had a major impact on the sodium triphosphate market in the EU and United States. In particular, the consumption of sodium triphosphate in the EU has decreased from 716 thousand tons in 2000 to 93 thousand tons in 2013. In Europe five plants with the sodium triphosphate production capacity of 475 thousand tons per year have been closed since 2000.

Due to the restrictions placed on detergents containing phosphate, manufacturers from other countries also have to reduce the consumption of sodium triphosphate.

Due to the fact that the regulations do not have an impact on the countries of the Customs Union where phosphates are still being used in detergent production, stable sales are expected in the CIS market, whereas the sole competitor - JSC "Metachim" t. Volkhov, is planning to change the product mix to complex NPK fertilizers.

However, Kazphosphate LLP's technical team strives to improve the production of sodium triphosphate. In 2012 plant construction began for the production of granular sodium triphosphate and in 2014 Kazphosphate LLP intends to start the production and sale of granular sodium triphosphate. The company also continues research for the production of sodium triphosphate with different substance of phosphate in accordance with the regulatory requirements.

Fertilizers

Local Market: In 2013 Kazphosphate LLP continued stable operations at the local mineral fertilizer market and participated in the government programme of subsidizing fertilizer purchase by farms. Kazphosphate LLP benefits from participation in this programme by operating steadily within the country: contracting directly with the regional/territorial departments of the Ministry of Agriculture and the end consumers of fertilizers. This programme allows the increase of production volume of Kazakhstani products in the domestic market, as well as the increase of sales to the large farms of North Kazakhstan, Akmola, Kustanai Provinces (responsible storage with deferred payment to ensure an adequate supply of fertilizers before start of the season).

International Market: In previous years Kazphosphate LLP achieved stable sales in the international market of mineral fertilizers. Main customers were companies from Ukraine, Poland, Romania, Hungary, Bulgaria, etc. At the international level Kazphosphate LLP competes with producers from Russia: JSC Fosagro, JSC "Eurochim" etc. Kazphosphate LLP's position is more advantageous in Eastern Europe as there are not large farms there, and the company accepts any small orders while the competitors from the Russian Federation are only interested in the supply of large orders. Thus, direct railway delivery within the expected timeframe, reliable product quality and a certificate of REACH in the EU allow the company to receive orders from importers during off-season period, when the fertilizers are being transported to storages in the EU.

Kazphosphate sales from 2011 -2013 (thousand tonnes).

Product	Units	2011	2012	2013
Finely ground phosphate rock "Karatau"	thousand tonnes	423,289	481,680	241,940
Yellow phosphate	thousand tonnes	60,671	62,890	74,453
Total phosphoric acid	thousand tonnes	6,656	6,673	4,802
Including alimentary products	thousand tonnes	2,185	2,807	2,718
Sodium triphosphate	thousand tonnes	86,604	57,062	49,778
Including alimentary products	thousand tonnes	17,528	7,715	6,385
Ammophos 46% P ₂ O ₅	thousand tonnes	125,133	112,300	110,852
Tricalcium phosphate (fodder)	thousand tonnes	20,353	16,695	17,105
Superphosphate 19% P ₂ O ₅	thousand tonnes	2,221	0,119	2,495
Sodium hexametaphosphate	thousand tonnes	0	0,687	1,171

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

Current investment projects:

In the past Kazphosphate LLP has always focused on investing in production process so as to achieve the current results, and is currently involved in a number of investment projects to create a necessary platform for sustainable growth in the future:

№	Project	Budgeted amount (mln tenge)	Amount Spent (mln tenge)	Period
1	Usage of Cottrell milk for the production of agglomerate	28,1	22,143	2014
2	Refinement of phosphorus from arsenic	65	25	2014
3	Usage of solid residue of Cottrell Milk for the production of PK fertilizer	200	5	2014-2015
4	Introduction of a pilot plant to utilise the heat from the combustion of phosphorus	40	32,1	2014
5	R & D on purification of furnace gas for utilising it in the plant boiler and ethanol production	10	-	2014
6	Construction of SUPG (Furnace gas disposal system) in unit № 8	382	88,0	2013-2014
7	Automatic controlling system (ASUTP) in units №7 and №8	362	-	2014
8	Reconstruction of wet-process phosphoric acid – 1 stage	7683,2	35,0	2013-2016
9	Production reconstruction of fodder phosphates for processing of phosphates with a high nutritional content (granular tricalcium phosphate)	256	84,54	2013-2018
10	Plant construction for NPK, NPSK- fertilizer productions based on utilisation of phosphorus production waste	4 410	26,5	2013-2018
11	Processing plant construction	16836	131,5	2008-2020

6. Kazphosphate LLP strategic projects till 2020 (Improvement/Modernization Projects)

For the period to 2020 Kazphosphate LLP has set a goal of creating a large chemical company of an international standard.

To achieve this, Kazphosphate LLP has set the following objectives:

- Maintaining product competitiveness in the market and meeting the growing requirements of consumers;
- Productivity increase;
- Reduction in energy and material consumption;
- Sustainable use of natural resources, reducing the impact on the environment;
- Improving health and safety conditions;

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

To achieve these goals Kazphosphate LLP has approved a comprehensive plan for investment projects for the period of 2013 - 2020, where the total amount of investment is 90.762 billion tenge.

The company plans to develop mining units to increase the production volume to 2,381 tonnes per year in 2020, in 2030- to 4,532 thousand tonnes, in 2040 – 5,916 thousand tonnes per year.

Comprehensive Plan of investment projects on modernization and reconstruction

	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
Investments Mln tenge	10 532,9	12 077,9	10 866,7	7 297,8	15 210,7	15 665,0	10 124,2	2 394,1	90 762,2

As a result of the implementation of the Comprehensive Refurbishment Plan Kazphosphate LLP aims to achieve the following results:

The results of the Comprehensive Modernization/Refurbishment Plan for 2012-2020

Results	2012	2013	2014	2015	2016	2017	2018	2019	2020	Expected 2020 variance (%) relative to 2013
Production volume, Mln tenge	52 993,0	56 300,8	61 946,4	72 472,7	79 379,1	88 573,7	106 011,4	119 389,3	156 768,4	136%
Sales, Mln tenge	50 037,0	55 015,5	63 333,1	69 980,8	75 172,9	83 373,5	100 811,2	108 421,7	135 911,4	140,5%
Efficiency Thousand tenge/person	8 988,3	9 326,8	9 989,8	11 851,6	12 981,1	14 484,7	17 336,3	19 524,0	25 636,7	136,4%
Capacitance, kWh/thousand tenge production	34,3	40,2	39,6	36,2	31,8	31,4	27,9	26,5	24,1	-40%
Capacitance, kgf/ thousand tenge production	7,4	7,7	6,9	6,8	6,1	5,4	4,9	4,4	3,6	-52,9%

CONCLUSION.

Under favourable circumstances Kazphosphate LLP's prospects are enormous because the company has a complete production cycle – starting from extraction of phosphorus-containing ores in accordance with its own production requirements and phosphate market and finishing with the production of finished goods, including delivery services. Thus, we anticipate that the company will have stable growth in the major markets and we are working on opening up new markets as well as developing new products.

The results for the year and the financial position at the year end for the Group were considered satisfactory by the directors.

Group revenue increased by 9% to \$379 million compared to US\$ 347 million in 2012. The Group generated a net loss for the year of US \$9 million compared to a net profit of US\$ 1 million in 2012.

Management would like to highlight that the results of the Group do not properly reflect the profitability of the Group's core trading activities which are carried out mainly through the subsidiary Kazphosphate LLP. During the current period Kazphosphate LLP generated a net profit of US\$ 20 million compared to a net profit of US\$ 24 million last year.

KAZPHOSPHATE LIMITED
STRATEGIC REPORT OF THE DIRECTORS (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Country risk

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

Financial risk

The Group's principal financial instruments are non-derivative and comprise of trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The main purpose of these instruments is to raise funds for the group's operations and to finance the group's trading activities.

The group has exposure to credit, liquidity and market risk. Note 34 explains the Group's objectives, policies and processes for measuring and managing these risks.

EMPLOYEES

The Group is committed to a policy of equal opportunities in employment by which the Group continues to ensure that all aspects of selection and retention are based on merit and suitability for the job without considerations of sex, marital status, nationality, colour, race, ethnicity, sexual orientation or any disability. The Group aims to maintain a diverse workforce free from discrimination. Persons who have or develop a disability are, where possible, given practical assistance and training to seek to overcome their disability in the performance of their work.

PAYMENT POLICY

The Group does not have a formal code that it follows with regard to payments to suppliers. Members of the Group generally agree payment terms with their suppliers when they enter into binding contracts for the supply of goods and services. Suppliers are, in that way made aware of these terms.

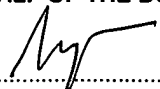
Group companies seek to abide by these payment terms when they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. At 31 December 2013 the amount of trade payables shown in the Group balance sheet represented 58 days (2012: 47 days) of purchases.

KEY PERFORMANCE INDICATORS

The following is a summary of key performance indicators:

	2013	2012
Sales revenue growth	9%	-1%
Gross profit margin	19%	21%
Return on equity	-3%	0.5%

ON BEHALF OF THE BOARD:


.....
Y. Nurgozhayev - Director

Date: - 30/9/14

KAZPHOSPHATE LIMITED **REPORT OF THE DIRECTORS**

The directors present their report with the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITY

The Group's principal trading activities are the extraction and processing of phosphoric ore, concentration and processing of raw minerals, production of mineral fertilisers, yellow phosphorous and phosphorous-containing products at mine pits and plants located in Southern Kazakhstan. These products are primarily exported from this region.

DIRECTORS

The directors who have held office during the period to the date of this report are as follows:

Y. Nurgozhayev
R. Pshtayev

REGISTERED OFFICE

3rd Floor, Fairgate House, 78 New Oxford Street, London, WC1A 1HB

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income for the period is set out on page 14.

The directors do not recommend payment of an ordinary dividend.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

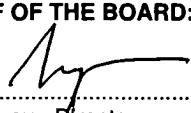
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
Y. Nurgozhayev - Director

Date: - 20/5/14

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAZPHOSPHATE LIMITED

We have audited the financial statements of Kazphosphate Limited for the year ended 31 December 2013, which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Statements of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted for the use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF KAZPHOSPHATE LIMITED**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

MHA MacIntyre Hudson

Yogan Patel (Senior Statutory Auditor)
for and on behalf of MHA MacIntyre Hudson
New Bridge Street House,
30-34 New Bridge Street,
London
EC4V 6BJ

Date: 10/12/14

KAZPHSOPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Group 31 December 2013	Company 31 December 2013	Group 31 December 2012	Company 31 December 2012
<i>In thousands of US dollars</i>					
ASSETS					
Property, plant and equipment	5	443,069	-	361,266	19
Intangible assets	6	46,009	-	51,237	-
Investments in associate & joint venture	7	1,620	-	55	-
Other non-current assets	8	924	-	4,588	-
Restricted cash	8	236	-	173	-
Investments	9	-	143,504	-	143,504
Total non-current assets		491,858	143,504	417,319	143,523
Current assets					
Inventories	10	90,685	-	88,062	-
Trade and other receivables	11	25,188	77	29,673	67
Prepayments		2,249	-	1,059	-
Loans receivable	12	50,009	-	50,583	-
Taxes receivable	13	15,952	-	10,156	-
Current income tax		276	-	94	-
Cash and cash equivalents	14	4,920	30	5,731	2,165
Total current assets		189,279	107	185,358	2,232
TOTAL ASSETS		681,137	143,611	602,677	145,755
LIABILITIES					
Non-current liabilities					
Borrowings	19	120,253	-	60,682	-
Deferred income tax liability	16	68,979	-	58,401	-
Provision for asset retirement obligations	17	5,199	-	4,537	-
Provision for social development of the region	33	251	-	359	-
Employee benefits	18	596	-	691	-
Total non-current liabilities		195,278	-	124,670	-
Current liabilities					
Borrowings	19	163,287	129,969	216,817	130,825
Interest payable	19	4,712	-	1,149	-
Trade and other payables	20	48,977	40	36,403	1,113
Advances received		2,195	-	823	-
Accruals		169	119	134	116
Provision for unused vacation & bonuses		2,716	-	2,343	-
Employee benefits	18	164	-	98	-
Provision for social development	33	116	-	116	-
Current income tax liability		-	-	-	-
Other taxes payable	21	3,409	-	3,363	-
Total current liabilities		225,745	130,128	261,246	132,054
TOTAL LIABILITIES		421,023	130,128	385,916	132,054
TOTAL LIABILITIES AND EQUITY		681,137	143,611	602,677	145,755

The financial statements were authorised for issue on 30/12/14 and signed on its behalf.

Y. Nurgozhayev - Director

R. Pshtayev - Director

Company registration number: 06007551

The notes on pages 17 to 60 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of US dollars</i>	Note	2013	2012
CONTINUING OPERATIONS			
Revenue	22	379,558	347,482
Cost of sales	23	(307,541)	(274,441)
Impairment of property, plant and equipment	5	40	3
Gross profit		72,057	73,044
Other operating income	24	2,931	1,016
Distribution costs	25	(47,460)	(46,959)
General and administrative expenses	26	(22,153)	(19,792)
Other operating expenses	27	(1,922)	(233)
Net foreign exchange gain / (loss)	28	1,008	(38)
Operating profit		4,461	7,038
Finance income	29	1,707	1,013
Finance costs	29	(14,365)	(5,608)
Share of loss under equity method	7	(286)	(103)
(Loss) / profit before income tax		(8,483)	2,340
Income tax expense	30	(780)	(1,296)
(Loss) / profit for the year		(9,263)	1,044
Other comprehensive income			
Land revaluation		55,862	-
Actuarial pension gain	18	2	76
Foreign exchange translation		(3,248)	(1,950)
Other comprehensive income / (expenditure) for the year		52,616	(1,874)
TOTAL COMPREHENSIVE INCOME / (EXPENDITURE) FOR THE YEAR		43,353	(830)

The notes on pages 17 to 60 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of US Dollars

GROUP	Share Capital	Foreign exchange translation reserve	Actuarial gains/ losses on pension liability	Revaluation reserve on property plant & equipment	Retained earnings	Total equity
Balance 1 January 2012	98	(24,327)	(686)	182	242,324	217,591
Profit for the year	-	-	-	-	1,044	1,044
Actuarial pension gain	-	-	76	-	-	76
Foreign exchange translation	-	(1,950)	-	-	-	(1,950)
Balance 1 January 2013	98	(26,277)	(610)	182	243,368	216,761
Loss for the year	-	-	-	-	(9,263)	(9,263)
Land revaluation (including tax effect)	-	-	-	55,862	-	55,862
Actuarial pension gain	-	-	2	-	-	2
Foreign exchange translation	-	(3,248)	-	-	-	(3,248)
Balance 31 December 2013	98	(29,525)	(608)	56,044	234,105	260,114

COMPANY	Share capital	Retained earnings	Total equity
Balance at 1 January 2012	98	(1,040)	(942)
Total comprehensive Income	-	14,643	14,643
Balance as at 31 December 2012	98	13,603	13,701
Total comprehensive expenditure	-	(218)	(218)
Balance at 31 December 2013	98	13,385	13,483

The notes on pages 17 to 60 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

<i>In thousands of US Dollars</i>	Group 2013	Company 2013	Group 2012	Company 2012
Cash flow from operating activities				
Proceeds from sales	379,365	-	343,038	-
Value added tax refund	21,616	(11)	30,608	29
Cash return from suppliers	110	-	6,601	-
Other	191	-	2,620	-
Payments to suppliers and contractors	(279,858)	(134)	(315,668)	(175)
Payroll Expense	(30,836)	-	(28,075)	-
Budget settlements	(26,185)	-	(30,067)	-
Other mandatory payments	(5,409)	-	(5,024)	-
Interest paid	(8,465)	-	(6,440)	-
Others	(1,084)	-	(3,837)	-
Tax paid	(4,059)	-	214	-
Net Cash received / (used in) from operating activities	45,386	(145)	(6,030)	(146)
Cash flow from investing activities				
Proceeds from disposal of property, plant and equipment	-	-	113	-
Repayment of loan receivable	-	-	3,183	-
Dividend received	-	138	-	13,488
Acquisition of property, plant and equipment	(51,069)	-	(27,484)	-
Loan disbursed and financial aid provided by related parties	(110)	-	(53,577)	377
Other receipts	1	-	3	-
Net Cash (used in) / received from investing activities	(51,178)	138	(77,762)	13,865
Cash flow from financing activities				
Proceeds from loans and borrowings	233,428	-	322,291	-
Repayment of loans and borrowings	(228,303)	(2,128)	(233,159)	(11,759)
Restricted cash	(67)	-	(51)	-
Net cash received from / (used in) financing activities	5,058	(2,128)	89,081	(11,759)
Net (decrease) / increase in cash and cash equivalents	(734)	(2,135)	5,289	1,960
Cash and cash equivalents at the beginning of the year	5,731	2,165	590	205
Exchange loss on currency movement	(77)	-	(148)	-
Cash and cash equivalents at the end of the year	4,920	30	5,731	2,165

The notes on pages 17 to 60 form an integral part of these financial statements.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

1. The Group and its Operations

These group financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2013 for Kazphosphate Limited (the "Company").

Kazphosphate Limited is a company incorporated in England and Wales. The group financial statements consolidate those of the company and its subsidiaries (together referred to as a group). The parent company financial statements present information about the company as a separate entity and not as a group.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) "As adopted by the EU". In publishing the parent company financial statements here together with the group financial statements, the company has taken advantage of the exemption in S408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") "As adopted by the EU" under the historical cost convention, as modified by revaluation of some financial instruments and land. The main accounting policies used in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless stated otherwise. All amounts have been rounded to the nearest \$1,000 except as otherwise indicated.

The consolidated financial statements are prepared in accordance with IFRS, International Accounting Standards (IAS) and related IFRIC interpretations in issue that have been endorsed by the European Commission and are effective at 31 December 2013.

Preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Going concern The financial statements have been prepared on a going concern basis even though at the year end the Group had net current liabilities amounting to US\$ 36,466,000 (2012: US\$ 75,888,000). The net current liability position arises as a result of parent company borrowings of US\$109,448 (2012: US\$ 111,577) thousand from a related party. There are no fixed repayment terms for these borrowings and they have therefore been classified as repayable within one year. However the directors have obtained confirmation from the lender that they will not request repayment of these loans until the Group has sufficient funds and no repayment will be sought within the 12 months from approval of these financial statements. Given this assurance and having reviewed cash flow forecasts and trading expectations for the next 12 months from approval of these financial statements, the directors are confident that the Group will be able to meet its current liabilities and are satisfied that there is no material uncertainty in relation to the going concern basis of accounting.

The parent company financial statements are prepared on a going concern basis based on the assurance received above and the fact that group companies have agreed to continue to provide such financial support as will be required for the parent company to meet its obligations as they fall due for at least the next 12 months from the approval of these financial statements.

Basis of consolidation Subsidiaries are fully consolidated from the date on which control is transferred to the group. Control exists when then the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. They are deconsolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in profit and loss.

All intra-group transactions, balances income and expenses are eliminated on consolidation. Uniform accounting policies are applied by the group companies to ensure consistency.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Functional and presentation currency The functional and presentation currency of the Group is US dollars ("USD"). All amounts in these group financial statements are presented in thousands of USD except where stated otherwise. The functional currency of the company's Dutch subsidiaries is Euros and the functional currency of the Kazakh subsidiaries is Kazakhstan Tenge.

Foreign currency transactions in foreign currencies are translated to USD at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to USD at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. The exchange differences arising upon consolidation on retranslation from a functional currency other than USD are recognised as a separate component of equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit and loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately.

However, when the Group's share in losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

Joint ventures. The Group is a party of a joint venture if it exercises joint control over a venture by acting collectively with other parties and decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's interests in joint ventures are accounted for using the equity method and are initially recognised at cost. Dividends received from joint ventures reduce the carrying value of the investment in joint ventures. Other post-acquisition changes in the Group's share of net assets of joint ventures are recognised as follows: (i) the Group's share of profits or losses of joint ventures is recorded in the consolidated profit and loss for the year as share of result of joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. The Group's share of joint venture's other comprehensive income or loss is recognised in other comprehensive income in the Group's financial statements.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's policy is to eliminate unrealised gains against the carrying amount of the investment in joint venture. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit and loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit and loss where appropriate

Property, plant and equipment Property, plant and equipment except for land is stated at purchase price less accumulated depreciation and impairment losses. The land is stated at fair value determined in accordance with periodic revaluations conducted by independent appraisers.

The cost includes all expenses directly related with the purchase of a relevant asset. The cost of assets constructed using its own resources includes the cost of used materials, direct labour costs, other expenses directly related with asset delivery and put it into operation for the intended use, and expenses on asset dismantling and transfer and site restoration. The software purchase cost inseparably associated with functionality of corresponding equipment is capitalised in the cost of this equipment.

The individual significant parts of an item of property, plant and equipment (components), whose useful lives are different from the useful life of the given asset as a whole are depreciated individually, applying depreciation rates reflecting their anticipated useful lives. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss for the year during the reporting period in which they are incurred.

Recognised as an item of property, plant and equipment are specialised spare parts and servicing equipment with the cost of above US\$ 3,255 and useful life of more than one year. Other spare parts and servicing equipment are recognised within inventories in the statement of profit or loss and other comprehensive income as used.

Minor repair and maintenance costs are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part which is retired.

Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is written off.

Land revaluation Land is subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for land in equity is transferred directly to retained earnings on the retirement or disposal of the asset.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Depreciation Each item of property, plant and equipment is depreciated using the straight-line method over its estimated useful life, and depreciation charge is included in profit or loss for the year. Land and construction in progress are not depreciated. The depreciation is charged to profit or loss for the year and determined using the straight-line method over the estimated useful life of the item of property, plant and equipment.

The expected useful lives of property, plant and equipment in the reporting and comparative periods are as follows:

	Useful lives in years
Buildings and constructions	3-50
Machinery and equipment	7-20
Other assets	8-14
Land	Indefinite

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Impairment. At the end of each reporting period management assesses whether the indicators of impairment of property, plant and equipment exists. The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

For the purpose of impairment testing the recoverable amount is measured by reference to the higher of "value in use" (being the net present value of expected future cash flows of a relevant cash generating unit) and "fair value less costs to sell" (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, who are independent from each other, less the costs of disposal). Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the group could receive for the cash generating unit. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the profit and loss so as to reduce the carrying amount in the statement of financial position to its recoverable amount. A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognized in profit or loss for the year and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

Intangible assets All intangible assets are stated at purchase price less accumulated amortisation and impairment loss, where required. Intangible assets include capitalised software licenses, software products, mining rights, rent entitlements and capitalised costs on social program financing, which periods vary from 2015 to 2025.

The cost includes all expenses on acquisition and implementation of intangible assets. Intangible assets are amortised using the straight-line method over their useful lives, as follows:

	Useful lives in years
Licenses and other	6-20
Rent entitlements	10
Software	5-6
Goodwill	Indeterminate
Other, including subsurface use rights and rights for groundwater extraction	3-25

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Stripping costs

Stripping costs incurred to access the mineral resources prior to the commencement of commercial production are capitalised as property, plant and equipment and amortised over the period of production using a unit-of-production method.

Stripping costs, incurred during the production are capitalised only if they result in future benefits from the access to additional reserves, the amount of such additional reserves may be reliably measured and such costs can be exactly determined and correlated with additional reserves. Such stripping assets are subsequently amortised using a unit-of-production method during production of additional reserves, to which the access has been obtained as a result of stripping works. If it is not practically possible to separate exactly the stripping works into the works related to current production and those related to the improvement of the access to specific components of an ore body, such costs are allocated on the basis of the expected stripping rate of the remaining reserves. The stripping assets subsequently are amortised using unit-of-production method over the period of production the remaining reserves.

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

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Financial instruments

The group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available-for-sale financial assets.

The group classifies non-derivative financial liabilities into the other financial liabilities category

Non-derivative financial assets and financial liabilities – recognition and derecognition

The group initially recognises loans and issued debt securities receivables and deposits on the date that they are originated/issued. All other financial assets and liabilities are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the groups's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (Note 12). Loans and receivables category comprises the following classes of financial assets: trade and other receivables as presented in Note 11 and cash and cash equivalents as presented in Note 14.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value. Restricted cash balances are excluded from cash and cash equivalents for the purpose of statement of cash flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which were intentionally classifying to the specified category or which were classified to none of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see Note 11) are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Non-derivative financial liabilities - measurement

The group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, and trade and other payables.

Share capital. Assets contributed to share capital are recognised at fair value at the date of contribution. Any excess of the fair value of contributed assets over the par value of contribution to share capital at the legal registration is recorded as share premium in equity.

Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including the participation interest in investees, accounted by equity accounting method, is assessed to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidences of financial assets impairment (including equity securities) may include:

- failure to pay or other failure to perform the liabilities by the debtors, debt restructuring to the group on the terms, which otherwise would not be considered by the group,
- the evidences of future bankruptcy of the debtor or issuer,
- negative changes of the borrower's payment status or group's issuers,
- economic terms, correlated with defaults,
- disappearing of the active market for any security, or
- observable data, showing measurable decrease of expected cash flows from the group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Impairment (continued)

Financial assets at amortised value

The group considers evidence of such assets at both an individual asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between its carrying amount of an asset, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an impairment allowance account. When the group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity accounted investments

Impairment with respect to equity accounted investments is assessed by comparing the recoverable cost of investments and its carrying amount. Impairment losses are recognised in profit or loss and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Impairment (continued)

Non-financial assets

The group's corporate assets do not generate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in the cases, when the carrying amount of an asset or CGU, to which this asset relates to, exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the group. Prepayments paid for future supplies of inventories are recorded within other current assets. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. Prepayments denominated in foreign currencies for goods and services are non-monetary items, and are recorded by the market rate ruling at the date of the prepayment, and are not subject to translation at the reporting date. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

KAZPHOSPHATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Provision for asset retirement and site restoration obligations

Asset retirement and site restoration obligations for fields under development are recognised when it is highly probable that the cost would be incurred and those costs can be measured reliably. Site restoration costs related to fields under development include the costs of rehabilitation and costs of liquidation (dismantling or demolition of infrastructure facilities, removal of residual materials and restoration of disturbed land).

Provision for the estimated costs of liquidation, rehabilitation and restoration are established and charged to the cost of property, plant and equipment in the reporting period when the obligation arises based on net present value of estimated future costs.

Provisions for asset retirement obligations do not include any additional obligations expected to arise from future disturbance and damage. The costs are estimated on the basis of a closure and restoration plan. The costs are estimated annually during the course of operations to reflect known developments, e.g. updated cost estimates and revised estimated useful life of an asset or the estimated terms of operations, and are subject to regular formal reviews.

The group estimates its costs based on feasibility and engineering studies using the current restoration standards and techniques for conducting restoration and remediation works.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the statement of profit or loss and other comprehensive income in each reporting period. The amortisation of the discount is shown as finance costs. Other changes in the provisions for site restoration obligations, resulting from updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate using the depreciation methods applied to those assets. Where restoration and rehabilitation works are conducted systematically over the term of the operations, rather than at the time of closure, provision is made for the estimated outstanding continuous restoration work at each reporting date and the costs are charged to profit or loss.

Loans and borrowings

Loans and borrowings are recorded at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January of the financial year or later.

The commencement date for capitalisation is when (a) the group's incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit and loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Trade payables

Trade payables are accrued when the counterparty performed its obligations under the contract, and are recorded at amortised cost using the effective interest method.

Value added tax (VAT)

Value-added tax related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the reporting date is stated in the statement of financial position on a net basis.

Income tax

Income taxes have been provided for in the individual financial statements in accordance with Kazakhstan legislation enacted on the reporting date. The income tax charge comprises current (corporate and excess profit) taxes and deferred taxes, and is recognised in profit or loss, except for where it is recognised in the same or a different period in other comprehensive income or directly in equity.

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

Deferred tax is recognised using the balance sheet method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In accordance with the initial recognition exception, the deferred income tax is not recognised in respect of temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the corporate tax rates and excess profit tax rates that enacted or substantively enacted at the reporting date and that are expected to be applied to the period when the temporary differences are reversed or the tax loss carry-forwards are utilised.

Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions of the group's were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Excess profit tax

In accordance with tax code effective since 1 January 2009, excess profit tax assessment method using the ratio of annual income to annual allowed deductions under contract has been changed. However, the allowed deductions can include the capitalised costs. Contractual income is determined based on the rules of separate accounting established by the tax accounting policies of the group's. Taxable basis for excess profit tax is the taxable income determined for the corporate income tax purposes reduced by the amount of corporate income tax as well as amount of 25 percent of allowed deductions including the capital expenditures. Excess profit tax should be paid in the years when the ratio of the annual income and the annual deductions exceeds 1.25.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Revenue from services is recognised in the same reporting period in which these services were performed by applying the proportion of actual services performed to date from total services to be provided under the contract.

Revenues are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time-proportion basis using the effective interest method.

Barter transactions. A portion of sales and purchases are settled by mutual cancellations, barter or non-cash settlements. These transactions are generally in the form of direct settlements by dissimilar goods and services from the final customer (barter).

Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement.

Payroll expenses and related charges. The expenses for salaries, social tax, social insurance fund contributions, annual paid vacations and sick leaves, bonuses and non-cash benefits in kind are accrued as the respective services are provided by the Group's employees.

In compliance with Kazakhstan legislation the Group withholds pension contributions from employees' salaries and remits them to pension funds selected by employees. When an employee retires, all the related payments are made by the respective pension fund.

Employee benefits. The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The Collective Labour Agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining service up to retirement age and the completion of a minimum service period. Such benefits are valued consistently with an unfunded defined plan in accordance with IAS 19, Employee Benefits

Employee benefits other than one-off retirement payments are considered as other non-current employee benefits. Liability for defined benefit plan is recognised in the statement of financial position as the liability discounted value less fair value of the plan assets including adjustments for unrecognised value of the employee prior services. Amount thus determined are discounted to their present value and fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the group. An economic benefit is available to the group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

2. Basis of Preparation and Significant Accounting Policies (continued)

Employee benefits (continued)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The group net obligation in respect of long-term employee benefits, different from the payments on pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods and usually depends on the employee's minimum period of service. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Revaluations are recognised in profit or loss in the period in which they arise. The employee obligations are valued periodically.

Finance income and finance costs

Finance income and costs comprise interest expense on borrowings and loans payable, deposits, loans issued by the group to its employees, interest income/expense from unwinding of discount on provision for asset retirement obligations and other financial assets and liabilities, net foreign exchange gains/(losses) related to respective financial assets and liabilities.

Provisions for liabilities and charges

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued 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 of the amount of the obligation can be made.

Regional social development liabilities

Provisions for regional social investment are community social investment liabilities in the Zhambyl Region of the Republic of Kazakhstan, which are mandatory pursuant to acquisition of subsurface use rights. These social expenses are recognised as part of acquisition cost after initial recognition, and relevant liabilities are recognised at present value of future social expenses during exploration and extraction stage.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Useful lives of property, plant and equipment

Estimation of useful lives of property, plant and equipment is a matter of judgement based on previous experience with similar assets. The future economic benefits embodied in the assets are mainly consumed through the use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Subsurface use contracts

The group has several subsurface use contracts that expiry during 2015-2034. The group complies with contractual obligations and believes that extension of the subsurface use contract is probable and mining operations will continue in the long run. In 2013 the group was inspected by the state authorities for compliance with the subsurface use contract requirements. No material violations were detected. Subsurface use contract term is considered when determining useful lives of property, plant and equipment and when estimating provision for asset retirement and site restoration obligations. If case the contracts are not renewed, the group shall need to accelerate depreciation of property, plant and equipment and unwinding of provision.

Provisions for asset retirement and site restoration obligations

In accordance with the environmental legislation and the contracts on subsurface use, the group has a legal obligation to remediate damage caused to the environment from its operations and to decommission its assets and restore a landfill site after its closure. Provision is made based on net present values for site restoration and rehabilitation costs as soon as the obligation arises from past activities. The provision is estimated based on the group's interpretation of current environmental legislation in the Republic of Kazakhstan and the group's related program for liquidation of subsurface use consequences on the contractual area and other operations supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. Estimations of the restoration costs are subject to potential changes in environmental regulatory requirements and the interpretation of the legislation. Provisions for site restoration obligations are recognised when they are probable and can be measured reliably.

At 31 December 2013, the carrying amount of the provision for asset retirement and restoration of phosphate ore fields was USD 4,602 thousand (2012: USD 4,122 thousand) (Note 17).

At 31 December 2013, the carrying amount of the provision for asset retirement and restoration of groundwater fields was USD 597 thousand (2012: USD 415 thousand)

Revaluation of land

Fair value of land of USD 99,881 thousand and USD 31,317 thousand as at 31 December 2013 and 31 December 2012, respectively, was categorised to Level 2 based on the input such as quotations of similar assets in the active markets (method of comparable sales) or quotations on the identical or similar assets in the non-active markets (method of the normative (cadastral) value). The cadastral value, in its turn, represents the historic data on property valuation performed by the state authorities for a certain period of time for all lands of the territory of the Republic of Kazakhstan. The latest changes in the cadastral values were made during 2008; no significant changes in the cadastral values are anticipated.

Previous valuation of the land fair value was carried out as at 31 December 2011. The fair value was assessed using the comparable sales method. During the reporting period the comparable sales method was used partially, as it is not possible to use the comparable sales method when no active market exists for similar land plots in the region being assessed.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Related party transactions

In the normal course of business the group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties.

Employee benefits

The most significant assumptions applied for accounting of these non-current liabilities are discount rate and estimated staff turnover. The discount rate is used to determine a present value of the benefit obligation of future liabilities, and each year unwinding of discount for such liabilities is recognised in profit or loss as interest expenses. The assumption on staff turnover is used to forecast future benefit payment flow which is discounted to receive net present value of the obligations. Please refer to Note 18 for more detailed information on assumptions used for calculation of actuarial liabilities.

Measurement of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer of the group. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

For the significant issues, related to the assessment, the valuation team reports to the management of the group.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Any further information on the assumptions, made during the assessment of the fair value is contained in the Note 5: property, plant and equipment.

Assessment of excess profit tax

Assessment of the excess profit tax (EPT) depends on the effective EPT rate that would be applied during the periods when deductible and taxable temporary differences are refunded or settled. As the EPT rate to be applied in future depends on the rate of return on the subsurface use operations, the assessment of an effective EPT rate as at reporting date requires professional judgment with relation of assessment of future taxable income and respective deductions on the subsurface use operations; expected mechanism of capex amortisation; expected useful lives of the items of property, plant and equipment and other assumptions affecting the estimates of amounts and periods during which the deductible and taxable temporary differences existing as at the reporting date shall be refunded and settled.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

4. New Accounting Pronouncements

Except for the changes below, the group has consistently applied the accounting policies set out in Note 2 to all periods presented in these individual financial statements.

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- *Disclosures—Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7);
- IFRS 13 *Fair Value Measurement*;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.

The nature and effects of the changes are explained below.

- **Offsetting financial assets and financial liabilities** As a result of the amendments to IFRS 7, the group has expanded its disclosures about the offsetting of financial assets and financial liabilities (see Note 29).
- **Fair values measurement.** IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the group has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the group's assets and liabilities.

- **IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.** According to the group's previous accounting policy all stripping costs in the production phase were charged to the cost of phosphoric ore as incurred. Thus, as at 1 January 2012 the group had no stripping-related assets. Managements analysed stripping costs incurred as at 1 January 2012 and arrived at conclusion that due to specifics of the phosphoric ore occurrence and current production phase, it is not feasible to divide the stripping works clearly between the works related to the current production of phosphoric ore and works related to improvement of access to certain components of the ore body. Therefore, management determined that the best indicator of the stripping allocation is a stripping ratio – a waste to phosphoric ore ratio- for a single ore body, till the depletion of remaining ore reserves. As the actual stripping ratios for 2012 and 2013 do not differ significantly from the expected ratio till the end of production, the group's management concluded that the effect of adoption of this interpretation on 2012 and 2013 was not significant.

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2013, and have not been applied in preparing these individual financial statements. *Of these pronouncements*, potentially the following will have an impact on *the group's operations*. *The group plans* to adopt these pronouncements when they become effective.

- The IFRS 9 *Financial Instruments* standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third part, concerning the general procedure of hedging operations accounting was issued in November 2013. The group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have an insignificant impact on group's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The group does not intend to adopt this standard early.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. Management is currently assessing the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

KAZPHOSPHATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

4. New Accounting Pronouncements (continued)

- IFRIC 21 *Levies* provides guidance on accounting for levies in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. Levies do not arise from executory contracts or other contractual arrangements. However, outflows within the scope of IAS 12 Income taxes, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope. The interpretation confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. An entity does not recognise a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. The interpretation is effective for annual periods commencing on or after 1 January 2014. The interpretation is applied on a retrospective basis. Early adoption is permitted.
- Amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* adds IAS 39 with a limited exception, under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2014, with earlier application being permitted.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

5. Property, Plant and Equipment

GROUP

<i>In thousands of US Dollars</i>	Land	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
Cost or revalued amount at 1 January 2012	31,794	240,284	128,912	33,814	11,112	445,916
Additions	18	895	10,070	7,221	57,094	75,298
Disposals	-	-	(101)	(38)	(18)	(157)
Revaluation	-	-	-	-	-	-
Foreign currency differences	(495)	(257)	(871)	(505)	(765)	(2,893)
Transfers	-	1,460	(2,155)	695	-	-
Balance at 31 December 2012	31,317	242,382	135,855	41,187	67,423	518,164
Accumulated depreciation at 1 January 2012	-	58,277	55,918	12,492	-	126,687
Depreciation	-	19,237	5,673	6,171	-	31,081
Disposals	-	-	(100)	(19)	-	(119)
Foreign currency differences	-	(87)	(486)	(173)	(2)	(748)
Reversal of impairments	-	-	-	-	(3)	(3)
Transfers	-	28	(71)	43	-	-
Accumulated depreciation at 31 December 2012	-	77,455	60,934	18,514	(5)	156,898
Carrying amount at 31 December 2012	31,317	164,927	74,921	22,673	67,428	361,226
Cost or revalued amount at 1 January 2013	31,317	242,382	135,855	41,187	67,423	518,164
Additions	-	2	3,757	4,227	40,791	48,777
Disposals	(6)	(1,500)	(253)	(420)	-	(2,179)
Capitalised loan interest	-	-	-	-	3,941	3,941
Foreign currency differences	(1,258)	(873)	(1,486)	(719)	(677)	(5,013)
Impairment	(13)	-	-	-	-	(13)
Revaluation	69,828	-	-	-	-	69,828
Transfer to intangible assets	-	-	-	-	(4)	(4)
Transfers	13	59,199	38,975	4,069	(102,256)	-
Balance at 31 December 2013	99,881	299,210	176,848	48,344	9,218	633,501
Accumulated depreciation at 1 January 2013	-	77,455	60,934	18,514	(5)	156,898
Depreciation	-	13,444	18,556	2,993	-	34,993
Transfers	-	28	(71)	43	-	-
Disposals	-	(102)	(106)	(247)	-	(455)
Foreign currency differences	-	(129)	(661)	(267)	-	(1,057)
Reversal of impairments	-	(13)	-	112	(46)	53
Accumulated depreciation at 31 December 2013	-	90,683	78,652	21,148	(51)	190,432
Carrying amount at 31 December 2013	99,881	208,527	98,196	27,196	9,269	443,069

Movements in the carrying amount of property, plant and equipment were as follows:

KAZPHOSPHATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

5. Property, Plant and Equipment (continued)

Additions of property, plant and equipment during 2013, in the amount of US \$ 48,777 thousand (in 2012: US \$ 75,298 thousand) represent primarily purchases under the group's investment program oriented at production capacity maintenance and equipment replacement, as well as current production modernisation.

As at 31 December 2013 machinery and equipment includes cost of mining assets related to site restoration with the present value of US \$ 1,628 thousand (2012: US \$ 1,659 thousand) upon initial recognition.

As at 31 December 2013 the group had fully depreciated but still used property, plant and equipment with the initial cost of US \$ 24,788 thousand (2012: US \$ 18,410 thousand).

As at 31 December 2013 in accordance with the terms and conditions of the contract with Halyk Bank Kazakhstan JSC (Note 19), assets with a carrying amount of US \$ 145,372 thousand were subject to a registered debenture (2012: US \$ 45,221 thousand).

At 31 December 2013 the cost of construction in progress included capitalised interest on loans in the amount of US \$3,941 thousand (2012: US \$ 3,802 thousand). Capitalisation rate was about 8%.

Depreciation in the amount of US \$ 31,485 thousand (2012: US \$ 25,927 thousand) was charged to the cost of sales, the amount of US \$ 2,514 thousand (2012: US \$ 4,142 thousand) to distribution costs, and US \$ 993 thousand (2012: US \$ 1,012 thousand) – to administrative expenses.

As at the end of 2013, the group engaged an independent appraiser Baker Tilly Kazakhstan Valuation LLC, holding the state licenses No. 12019872 dated 25 December 2012 issued by the Committee of the Registration Service and Legal Support of the Ministry of Justice of the Republic of Kazakhstan on to perform property valuation activity, with specialisation in the following areas: property valuation (except for the intellectual property items, cost of intangible assets); No.13312029 dated 4 July 2013, issued by the Committee of the Registration Service and Legal support of the Ministry of Justice of the Republic of Kazakhstan, to perform the activity for property valuation with specialisation in the following areas: valuation of cost of items of intellectual property, and cost of intangible assets. The appraisal company valued the group's land as at 1 November 2013. The valuation is carried out in accordance with the valid legislation of the RK, standards on valuation adopted in the territory of RK and International Valuation Standards (IVS). To value the land, there were used the method of normative (cadastral) value and method of comparable sales as a part of market approach. The land revalued amount as at 31 December 2013 was US \$ 99,881 thousand.

The previous land revaluation was made as at 31 December 2011. The fair value of land was determined by the method of comparable sales as a part of the market approach.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

5. Property, Plant and Equipment (Continued)

COMPANY

In thousands of US dollars

	Machinery and equipment
<u>Cost/Valuation</u>	
Balance at 1 January 2012	54
Disposals	-
Balance at 31 December 2012	54
Balance at 1 January 2013	54
Disposals	(54)
Balance at 31 December 2013	-
<u>Depreciation</u>	
Balance at 1 January 2012	31
Depreciation charge	4
Disposals	-
Balance at 31 December 2012	35
Balance at 1 January 2013	35
Depreciation charge	-
Disposals	(35)
Balance at 31 December 2013	-
<u>Net book value</u>	
At 31 December 2013	-
At 31 December 2012	19

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

6. Intangible Assets

GROUP

The movements in the cost of intangible assets are presented below:

In thousands of US dollars

	Software	Licenses and Other	Mining rights	Rent entitlements	Total
Cost					
Balance at 1 January 2012	484	934	74,464	1,701	77,583
Additions	45	96	-	-	141
Foreign currency differences	(8)	(16)	-	-	(24)
Balance at 31 December 2012	521	1,014	74,464	1,701	77,700
Accumulated amortisation at 1 January 2012	309	335	19,856	680	21,180
Amortisation	74	124	4,927	170	5,295
Foreign currency differences	(5)	(7)	-	-	(12)
Accumulated amortisation at 31 December 2012	378	452	24,783	850	26,463
Net carrying amount at 31 December 2012	143	562	49,681	851	51,237
Cost at 1 January 2013	521	1,014	74,464	1,701	77,700
Additions	133	2	-	-	135
Transfer		4			4
Foreign currency differences	(12)	(19)	-	-	(31)
Balance at 31 December 2013	642	1,001	74,464	1,701	77,808
Accumulated amortisation at 1 January 2013	378	452	24,783	850	26,463
Amortisation	11	207	4,964	170	5,352
Foreign currency differences	(9)	(7)	-	-	(16)
Accumulated amortisation at 31 December 2013	380	652	29,747	1,020	31,799
Net carrying amount at 31 December 2013	262	349	44,717	681	46,009

Software includes capitalized costs of purchasing the ERP SAP program with the right of use and other goods that are required for Group's operational activities.

Amortisation of US \$5,352 thousand (2012: US \$5,295 thousand) has been charged to general and administrative expenses. As at 31 December 2013 other intangible assets include capitalized costs on social program financing on the amount of US \$347 thousand (2012: US \$455 thousand) according to the phosphoric ore and ground water extraction contracts.

7. Investments in associate and joint venture

In thousands of US dollars

	Joint venture	Associate	Total
Cost at 1 January 2012	-	52	52
Exchanges differences	-	106	106
Share of loss in 2012	-	(103)	(103)
Carrying value 31 December 2012	-	55	55
Cost at 1 January 2013	-	-	55
Additions	1,851	-	1,851
Share of loss in 2013	(231)	(55)	(286)
Carrying value 31 December 2013	1,620	-	1,620

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

7. Investments in associate and joint venture (continued)

In thousands of US dollars

Kazphos LLP is the sole object of a joint venture agreement, to which the group is a party. The enterprise is located in Taraz and produces hexametaphosphate and other phosphoric salts. Kazphos LLP is not a public company; it is a separate structure with a residual interest of the group in its net assets. Accordingly, the group has classified its stake in Kazphos LLP as an interest in joint venture.

The following table presents summarised financial information of Kazphos LLP as it is presented in the enterprise's own financial statements as at 31 December 2013 (2012: there were no operations).

<i>In thousands of US dollars</i>	Total assets	Total liabilities	Revenue	Loss
Kazphos LLP	4,599	1,360	1,252	(463)
Total	4,599	1,360	1,252	(463)

Associated Companies

The group has a share in individually insignificant associate NitroPhos LLP. The group's share in the capital is 49%. The summarised financial information of Nitrophos LLP is not presented as it is not significant.

8. Other Non-current Assets

<i>In thousands of US dollars</i>	31 December 2013	31 December 2012
Prepayments for property, plant and equipment and related services	924	4,588
Restricted deposits (effective interest rate: 4.1 percent (2012: 4.1 percent))	236	173
Total other non-current assets	1,160	4,761

Prepayments are primarily related to the Group's investment projects, including the sulphuric acid shop construction

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

9. Company Investments

<i>In thousands of US dollars</i>	Shares in subsidiary undertakings
Cost	
1 January 2012	141,096
Additions	2,408
Balance 31 December 2012	143,504
1 January 2013	143,504
Additions	-
Balance 31 December 2013	143,504
Carrying amount	
At 31 December 2013	143,504
At 31 December 2012	143,504

The carrying value of the Company's investments in its subsidiaries is reviewed annually for impairment by comparing the carrying value to the Company's share of the net assets of its subsidiaries. Since the Company's share of the net assets of its subsidiaries exceeds the carrying value of the investment management has not recognised any provision for impairment.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

9. Company Investments (continued)

The Company's investments at the balance sheet date in the share capital of companies are as follows:

Company name	Country of incorporation	Nature of business	Class of shares	Holding %
Kazphosphate LLP	Kazakhstan	Mining and chemical production	Ordinary	100
			31.12.13	31.12.12
			\$	\$
Aggregate capital & reserves			203,021	128,415
Profit for the year			<u>20,379</u>	<u>24,873</u>
InterTherm B.V	Netherlands	Holding company	Ordinary	100
			31.12.13	31.12.12
			\$	\$
Aggregate capital & reserves			811	863
Loss for the year			<u>(45)</u>	<u>(9)</u>
Energotherm B.V	Netherlands	Holding company	Ordinary	100
			31.12.13	31.12.12
			\$	\$
Aggregate capital & reserves			18,761	18,824
Loss for the year			<u>(45)</u>	<u>(41)</u>

The Company also has an indirect shareholding in the following companies:

Company name	Country of incorporation	Nature of business	Class of shares	Holding %
				2013 2012
NitroPhos LLC	Kazakhstan	Production of industrial explosives and drilling	Ordinary	49 49
Kazphos LLP	Kazakhstan	Production of hexametaphosphate and other salts of phosphorus	Ordinary	50 50
KhimFos LLP	Kazakhstan	Mineral resources exploration, extraction, enrichment and processing and production of different types of products	Ordinary	- 70

10. Inventories

<i>In thousands of US dollars</i>	2013	2012
Raw materials	26,439	26,355
Work in progress	20,290	20,055
Finished products	33,884	29,280
Goods for resale	10,918	13,874
Goods in transit	486	802
Less: provisions for obsolete and slow-moving inventory	<u>(1,332)</u>	<u>(2,304)</u>
Total inventories	90,685	88,062

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

11. Trade and Other Receivables

GROUP

<i>In thousands of US dollars</i>	2013	2012
Financial assets		
Trade receivables	22,140	26,418
Trade receivable due from related parties	1,640	555
Less: provision for impairment loss	(99)	(1,614)
Total financial assets	23,681	25,359
Non-financial assets		
Advances paid for inventory and services	1,463	2,542
Other receivables	74	1,779
Less: provision for impairment loss	(30)	(7)
Total non-financial assets	1,507	4,314
Total trade and other receivables	25,188	29,673

The ageing analysis of trade receivables classified as financial assets as of 31 December 2013 and 31 December 2012 is as follows:

<i>In thousands of US dollars</i>	2013	2012
Current and not impaired	10,539	11,754
<i>Past due but not impaired</i>		
- 30 to 90 days overdue	8,109	10,040
- 90 to 180 days overdue	3,670	653
- 180 to 360 days overdue	157	1,504
- over 360 days overdue	1,206	1,408
Total past due but not impaired	13,142	13,605
<i>Individually determined to be impaired (gross)</i>		
- over 360 days overdue	99	1,614
Total individually impaired	99	1,614
Total trade receivables	23,780	26,973
Less: impairment loss provision	(99)	(1,614)
Total trade receivables net	23,681	25,359

Neither past due nor impaired trade receivables represent debtors with good solvency and reputation, and low risk of non-payment, therefore the management believes that the debt over 180 days overdue shall not be impaired

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2013	2012
US Dollars	18,514	19,771
Tenge	3,115	2,730
Russian Roubles	2,052	2,858
Total trade and other receivables	23,681	25,359

As at 31 December 2013 the money coming under contract No. 1862/8-SB into between the group and "Fosfa akciova spolosenost" are secured for obligations for loans granted by Halyk Bank of Kazakhstan JSC.

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013****11. Trade and Other Receivables (continued)**

Changes in the impairment provisions for trade and other receivables are as follows:

<i>In thousands of USD</i>	Financial assets		Other	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Balance at 1 January	1,614	1,891	7	-
Accrual of allowance	165	1	71	7
Reversal of allowance	-	(252)	-	-
Writing off allowance	(1,662)	-	(48)	-
Translation allowance	(18)	(26)	-	-
Balance at 31 December	99	1,614	30	7

Information about the group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 34.

COMPANY

<i>In thousands of US dollars</i>	2013	2012
Other receivables	2	2
VAT	15	5
Called up share capital not paid	60	60
Total trade and other receivables	77	67

12. Loans Receivable

Presented below are carrying amounts of loans:

<i>In thousands of US dollars</i>	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Bloomtrade International Limited	50,000	50,000	50,583	50,583
Kasphos LLP	9	9	-	-
Total loans receivable	50,009	50,009	50,583	50,583

On 15 October 2012 the group signed an agreement with Bloomtrade International Limited (related party) for a loan in the amount of US\$ 50,000 thousand for a term of 90 days. During 2013 the group signed a number of addendums to the agreement, pursuant to the latest one that the loan shall be repaid no later than 30 August 2014. The loan was provided on a repayment basis within the period specified by the loan agreement.

Information about the group's exposure to credit and currency risks and impairment losses related to loans issued is disclosed in Note 34.

At 31 December 2013 loans for USD \$50,009 thousand were denominated in US dollars.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

13. Taxes Receivable

<i>In thousands of US dollars</i>	2013	2012
VAT refund	15,260	9,668
Other	692	488
Total taxes receivable	15,952	10,156

VAT receivable represents the current asset on VAT resulted from recognition of purchase of goods and services in the Republic of Kazakhstan. Since 2009 the group has been refunded VAT under the simplified scheme, i.e. while filing the quarterly VAT tax accounts the group submits the VAT refund application in parallel. During 2013 and 2012 the Tax Department of Medeu District for the City of Almaty conducted the tax audits for correctness of VAT assessments and payments. Based on the tax audit, no significant tax amounts have been additionally accrued by the tax authorities. The group's management believes that VAT will be fully refunded within the period specified by the tax legislation; accordingly, the amount is classified as a current asset.

14. Cash and Cash Equivalents

GROUP

<i>In thousands of US dollars</i>	2013	2012
Cash in bank Euro	23	10
Cash in bank US dollars	1	3,432
Cash in bank, Tenge	4,870	2,248
Cash in bank, RR	-	-
Cash in bank, GBP	7	27
Cash on hand	19	14
Total cash and cash equivalents	4,920	5,731

COMPANY

<i>In thousands of US dollars</i>	2013	2012
Cash in bank, GBP	30	2,165
Total cash and cash equivalents	30	2,165

Information about the group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 34.

15. Company called up share capital

Allotted and issued:

<i>In thousands of US dollars</i>			2013	2012
Number	Class	Nominal value		
50,000	Ordinary Share	£1	98	98

As at 31 December 2013 the Company was owed US\$ 60 thousand (2012: US\$ 60 thousand) in relation to unpaid share capital, which is included in trade and other receivables. The Group's ultimate controlling parties are the trustees of the Balliana Family Trust by virtue of their majority shareholding in the Company.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

16. Group deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following, none of which are concerned with the Company, only the other subsidiaries in the Group:

	Asset		Liabilities		Net	
<i>In thousands of US dollars</i>	2013	2012	2013	2012	2013	2012
Property, plant and equipment	-	-	(52,804)	(54,661)	(52,804)	(54,661)
Land revaluation	-	-	(19,973)	(6,260)	(19,973)	(6,260)
Provisions	3,571	2,287	-	-	3,571	2,287
Employees benefit	153	159	-	-	153	159
Other payables	74	74	-	-	74	74
Net tax assets/(liabilities)	3,798	2,520	(72,777)	(60,921)	(68,979)	(58,401)

<i>In thousands of US dollars</i>	Group 2013	Recognised in income	Translation adjustments	Recognised in equity	Group 2012
Property, plant and equipment	(52,804)	1,762	95	-	(54,661)
Land revaluation	(19,973)	-	253	(13,966)	(6,260)
Provision	3,571	1,339	(55)	-	2,287
Employees benefit	153	(3)	(3)	-	159
Other payables	74	2	(2)	-	74
	(68,979)	3,100	288	(13,966)	(58,401)

<i>In thousands of US dollars</i>	Group 2012	Recognised in income	Translation adjustments	Recognised in equity	Group 2011
Property, plant and equipment	(54,661)	4,578	50	-	(59,289)
Land revaluation	(6,260)	-	99	-	(6,359)
Tax losses carry forward	-	(761)	(3)	-	764
Provisions	2,287	(29)	(36)	-	2,352
Employees benefit	159	23	(2)	-	138
Other payables	74	(19)	(2)	-	95
	(58,401)	3,792	106	-	(62,299)

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

17. Provisions for asset retirement and site restoration obligations

The obligations related to site restoration at GPK Karatau and GPK Chuluktau are stipulated by the subsurface use contracts between the group and Government of the Republic of Kazakhstan. The group has a legal obligation to restore land disturbed during the operations and decommissioning of its assets after its expected closure of site operation at GPK Karatau and GPK Chuluktau.

In April 2009 the group signed two contracts for groundwater extraction and use in the territory of its branches: NDPP and MFP. The contracts have been signed for 25 years and include a provision for site restoration after the contract expiry date.

During 2008 the group engaged an independent third party to evaluate future site restoration costs as at 31 December 2007 in relation to development of field and infrastructure arranged starting from the effective dates of the licenses. The group is not responsible for site restoration and dismantling of infrastructure existing at the effective dates of the licenses. In accordance with the estimate made by the independent experts, the total cash outflows for equipment decommissioning and site restoration after the contract expiry date will be USD 4,151 thousand. A number of subsurface and ore extraction contracts expire within the next few years. The group's management sees no signs that the contracts would not be renewed. In this case, conclusion of new contracts or renewal will take time. For duration of the current conditions of extraction, the group believes that current cost estimate for site restoration is correct. Future estimated cash outflows for site restoration purposes were inflated at the interest rate of 8% and then discounted at the rate of 14% (average rates for long-term securities of the Ministry of Finance of the Republic of Kazakhstan, MUIKAM yield rate of 14.28 percent according to the information bulletin of the National Bank). Discount write-off is recognised as interest expense in profit or loss and other comprehensive income under "Finance costs".

The group is obliged under the subsurface use contracts to make payments to the liquidation fund regulated by the government, determined as 0.1 percent of operational costs. In accordance with the subsurface use contracts, the group transfers cash to the long-term bank deposit to finance assets retirement and site restoration in future. As at 31 December 2013 the total balance in special deposit accounts was USD 236 thousand (2012: USD 173 thousand).

The asset retirement and site restoration obligations at GPK Karatau and GPK Chulaktau should be settled at the end of the useful life of each field varied from 2015 to 2025; obligations on groundwater wells should be settled upon the contract expiry date in 2034.

Movements in provisions for site restoration obligations are as follows:

<i>In thousands of US dollars</i>	Ore fields	Groundwater wells and landfills for waste disposal	Total
Carrying amount at 1 January 2012	3,664	74	3,738
Additions to estimated assets	-	340	340
Currency translation	(62)	(5)	(67)
Unwinding of the present value discount	520	6	526
Carrying amount at 31 December 2012	4,122	415	4,537
Additions to estimated assets	-	182	182
Currency translation	(83)	(7)	(90)
Unwinding of the present value discount	563	7	570
Carrying amount at 31 December 2013	4,602	597	5,199

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

18. Employee Benefits

<i>In thousands of US dollars</i>	2013	2012
Current portion of employee benefits liabilities	164	98
Non current portion of employee benefits liabilities	596	691
Total employee benefits	760	789

Changes in the benefit obligations are as follows:

<i>In thousands of US dollars</i>	2013	2012
Present value of defined benefit obligation at the beginning of the year	789	689
Benefits paid	(126)	(83)
Current service expenses	4	173
Actuarial gains	(2)	(76)
Discount unwinding expense	109	98
Currency translation	(14)	(12)

Present value of defined benefit obligation at end of year	760	789
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Amounts recognised in the statement of financial position and profit or loss for the year are as follows:

<i>In thousands of US dollars</i>	2013	2012
Present value of defined benefit obligation at end of year	760	789
Net liability	760	789
Interest expense	109	98
Actuarial gains	(2)	(76)
Current service expenses	4	173
Expense recognised in profit or loss for the year	111	195

Current service expenses were included in the statement of comprehensive income as part of general and administrative expenses. Actuarial gains were recognised in other comprehensive income.

<i>In thousands of US dollars</i>	2013	2012
Cumulative amount of actuarial losses recognised in other comprehensive income	588	590

Principal actuarial assumptions at the reporting date are as follows:

<i>In percentage</i>	2013	2012
Discount rate at 31 December	7.9	7.9
Average labour turnover rate at 31 December	14.5	14.5
Future salary increases at 31 December	7	7

To calculate the employee benefit obligation, the following criteria are taken into account:

- Personnel turnover rate is calculated in accordance with assumptions of the Company's management;
- The discount rate and the average rate of turnover remained unchanged;
- In the long run MCI is associated with the inflation rate

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013****19. Borrowings****GROUP**

The carrying amounts of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount	
	2013	2012
Non- Current borrowings		
Halyk Bank Kazakhstan	120,253	60,682
Total non - current borrowing	120,253	60,682
Current borrowings		
Kenon Finance	109,448	111,577
Drewes	9,418	9,418
Halyk Bank Kazakhstan	44,421	95,822
Accrued interest	4,712	1,149
Total current borrowing	167,999	217,966
Total borrowings	288,252	278,648

Kennon Finance Limited & Drewes Management S.A., the amounts owed to these companies by Kazphosphate Limited, represent unsecured loans and have no fixed repayment date. Kennon Finance Limited and Drewes Management Limited are related parties to Kazphosphate Limited by virtue of common ownership.

The Group's borrowings are denominated in the following currencies:

<i>In thousands of US dollars</i>	2013	2012
Loans denominated in: - US dollar	288,252	278,648
Total borrowings	288,252	278,648

The group entered into an agreement for a credit line No. KS 02-12-40 / (1584/12-FO) dated 29 August 2012 with Halyk Bank of Kazakhstan JSC. Under the agreement, the group is provided with cash in the amount of USD 108,000 thousand and KZT equivalent of USD 13,020 thousand (KZT 2,000,000 thousand).

In accordance with the terms and conditions of the agreement USD 68,000 thousand are available at the interest rate of 8% per annum for construction of a workshop for production of sulphuric acid, as well as to refinance indebtedness to SB HSBC Bank Kazakhstan JSC and ATF Bank JSC.

The group is provided with USD 36,000 thousand and KZT equivalent of 13,020 thousand (KZT 2,000,000 thousand) for replenishment of working capital, acquisition of movable property for industrial purposes and refinancing of a debt to SB Alfa-Bank JSC and SB HSBC Bank Kazakhstan JSC. The interest rate on these loans varies from 8 to 9% for KZT and from 7 to 8% for USD depending on the loan term.

In addition, USD 4,000 thousand are available to the group for development of subsoil use rights under the contract for production of phosphate, as well as other costs related to subsoil use rights under this contract (mining, construction of production facilities necessary for development of subsoil use rights, etc.). Interest rate on the loan is 8% per annum.

Following agreement with Halyk Bank of Kazakhstan JSC, the debts to SB Alfa-Bank JSC, ATF Bank JSC, SB HSBC Bank Kazakhstan JSC were repaid.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

19. Borrowings (continued)

Company

The carrying amount and fair value of borrowings are as follow:

<i>In thousands of US dollars</i>	Carrying amount		Fair Value	
	2013	2012	2013	2012
Kennon Finance Limited	109,448	111,577	109,449	111,577
Drewes Management Limited	9,418	9,418	9,419	9,418
Kazphosphate LLP	10,106	9,830	10,104	9,830
Energotherm & Interterm B.V	997	-	997	-
Total borrowings	129,969	130,825	129,969	130,825

The group's borrowings are denominated in the following currencies :

<i>In thousands of US dollars</i>		2013	2012
Loans denominated in:	- US dollar	128,041	129,172
	- Pound sterling	1,373	1,163
	- Euro	555	490
Total borrowings		129,969	130,825

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

20. Trade and Other Payables

GROUP

<i>In thousands of US dollars</i>	2013	2012
<i>Financial liabilities</i>		
Trade payables	45,982	32,043
Total financial liabilities	45,982	32,043
<i>Non-financial liabilities</i>		
Payables to employees	2,374	2,286
Payables to pension funds	299	282
Other payables	322	1,792
Total non-financial liabilities	2,995	4,360
Trade and other payables	48,977	36,403

Trade payables are denominated in the following currencies:

<i>In thousands of US dollars</i>	2013	2012
Tenge	34,782	23,422
US Dollars	4,585	2,558
Russian Roubles	2,801	3,413
Euro	3,814	2,650
Trade payables	45,982	32,043

COMPANY

<i>In thousands of US dollars</i>	2013	2012
Trade payables	40	-
Other payable	-	1,113
Total trade and other receivables	40	1,113

21. Other Taxes Payable

<i>In thousands of US dollars</i>	2013	2012
Minerals extraction tax	731	1,015
Environmental emission payments	1,588	1,101
Social tax	155	136
Individual income tax	123	143
Payable to social fund	48	51
Corporate withholding tax	581	597
Non- Resident VAT	4	176
Customs fee	174	139
Excess profit tax	5	-
Other	-	5
Total other taxes payable	3,409	3,363

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

22. Revenue

<i>In thousands of US Dollars</i>	2013	2012
Yellow phosphorus	226,895	175,419
Sodium tripolyphosphate	51,539	60,621
Ammonia phosphorus	52,912	54,227
Raw phosphorus	13,802	28,946
Thermal phosphoric acid	5,952	7,544
Services	12,161	7,074
Tricalcium phosphate	5,597	5,599
Granulated slag	3,142	2,782
Transportation services	933	1,399
Lease	453	948
Inventory	1,260	798
Hexametphosphate	1,493	762
Ferro-phosphorus	612	566
Lime	316	230
Oxygen	176	204
Dolomite	245	201
Superphosphate	777	35
Ammonium water	7	31
Other	1,286	96
Total revenue	379,558	347,482

An analysis of the Group's revenue by geographical market is given below:

<i>In thousands of US dollars</i>	2013	2012
European Union and Switzerland	224,875	161,937
Commonwealth of Independent States (former USSR)	73,489	134,861
Kazakhstan	65,487	28,724
Asia	2,195	1,902
Americas	131	93
Other	13,381	19,965
Total revenue	379,558	347,482

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

23. Cost of Sales

<i>In thousands of US Dollars</i>	2013	2012
Raw materials	166,035	186,487
Electricity	52,476	54,640
Salary and related cost	37,144	13,189
Repair and maintenance	5,744	5,279
Changes in inventories of finished goods and work in progress	(2,100)	(19,282)
Third party Services	4,615	3,771
Depreciation and amortisation	31,485	25,927
Cost of Inventory sold	10,493	576
Provision for obsolete and slow moving inventory	(400)	(921)
Insurance cost	635	172
Other	1,412	4,603
Total cost of sales	307,541	274,441

24. Other Operating Income

<i>In thousands of US Dollars</i>	2013	2012
Liabilities write off	66	-
Gain on disposal of property plant and equipment	2,100	890
Other	765	126
Total other operating income	2,931	1,016

25. Distribution Costs

<i>In thousands of US Dollars</i>	2013	2012
Transportation services – export	39,934	34,501
Materials and repair	2,656	5,456
Payroll and related expense	960	1,406
Electricity	239	230
Depreciation	2,514	4,142
Business trips and representative expenses	327	472
Certification	318	313
Insurance	216	181
Communication expenses	62	59
Customs services	70	74
Other	164	125
Total distribution costs	47,460	46,959

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

26. General and Administrative Expenses

<i>In thousands of US Dollars</i>	2013	2012
Payroll and related expenses	6,647	6,477
Production suspension expenses	1,554	1,180
Provision for impairment of trade and other receivables and advances given	236	(244)
Maintenance, repair and materials	1,018	960
Communication and IT expenses	338	326
Taxes, other than income tax	949	646
Business trips and representative expenses	546	665
Consulting services	431	794
Depreciation and amortisation	6,345	6,307
Bank charges	425	675
Utilities	599	467
Rent	465	434
Tax fines and penalties	-	95
Security services	292	295
Sponsorship and charity	372	128
Legal services	775	159
Insurance	46	58
Accountancy	154	77
Parent company auditor remuneration*	62	46
Other	899	247
Total general and administrative expenses	22,153	19,792

* Remuneration of the auditors' of subsidiaries is included within consulting services

27. Other Operating Expenses

<i>In thousands of US Dollars</i>	2013	2012
Losses on disposal of property, plant and equipment	1,723	22
Other	199	211
Total other operating expenses	1,922	233

28. Net foreign exchange

<i>In thousands of US Dollars</i>	2013	2012
Foreign exchange gain	4,186	2,906
Foreign exchange loss	(3,178)	(2,944)
Net foreign exchange / (loss)	1,008	(38)

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

29. Finance Income and Costs

<i>In thousands of US Dollars</i>	2013	2012
<i>Finance income</i>		
Interest income on bank deposit	9	6
Foreign exchange gain from cash and cash equivalents	12	114
Foreign exchange gain from borrowings	1,686	893
Total finance income	1,707	1,013
<i>Finance costs</i>		
Foreign exchange loss from borrowings	(4,064)	(1,963)
Foreign exchange loss from cash and cash equivalents	(4)	(9)
Interest expense on borrowings	(9,718)	(3,110)
Asset retirement obligations: unwinding of present value discount	(579)	(526)
Total finance costs	(14,365)	(5,608)

30. Income Tax

<i>In thousands of US Dollars</i>	2013	2012
Current income tax expense	(3,876)	(5,088)
Deferred income tax credit	3,100	3,792
Excess profit tax	(4)	-
Income tax expense	(780)	(1,296)

Differences between IFRS and statutory taxation regulations gives rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their income tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to the period of assets realisation or liabilities settlement.

<i>In thousands of US dollars</i>	2013		2012	
Profit / (loss) before income tax	(8,483)		2,340	
Income tax benefit at applicable tax rate	(1,697)	20%	468	20%
Non-deductible/non-taxable items	597		(1,764)	
Change in temporary differences	1,815		-	
Excess profit tax	4		-	
Loss on which no deferred tax asset recognised	61		-	
Current tax (charge)/benefit	(780)		(1,296)	

The applicable tax rate used is 20%, which is the corporation tax rate in Kazakhstan. As almost all the group's activities taken place in Kazakhstan this is considered to be the rate most applicable to the group.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

31. Employee Information

The Group's total staff costs (including directors) were:

<i>In thousands of US dollars</i>	2013	2012
Wages and salaries, other bonuses and related expenses	44,750	21,073
Total staff costs	44,750	21,073
The average number of employees for the period was 6,115 (2012: 5,954)		
Production	4,356	4,549
Distribution	335	25
Administration	1,424	1,380
Total	6,115	5,954

32. Balances and Transactions with Related Parties

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2013 and 2012 are detailed below.

<i>In thousands of US dollars</i>	Note	Entities under common control 2013	Entities under common control 2012
Restricted cash, non-current	8	236	173
Borrowings	19	129,969	130,825

Of the above balances the total borrowings of US\$129,969 (2012:\$ 130,825) also represent transactions of the Company as a single entity.

The key management compensation in 2013 and 2012 was included within general and administrative expenses. The total key management compensation cost for the year was as follows:

<i>In thousands of US dollars</i>	2013	2012
Wages, salaries, other bonuses and related expenses	323	298
Social tax	30	27
Directors remuneration	Nil	Nil
Total key management compensation	353	325

33. Contingencies, Commitments and Operating Risks

Tax and transfer pricing legislation

Kazakhstani tax legislation and practice is in a state of continuous development, and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax and transfer pricing legislation by tax authorities as applied to the transactions and activities of the group may not coincide with that of management. As a result, tax authorities may challenge transactions and additional taxes, penalties and fines can be accrued to the group. Tax periods remain open to review by the Kazakh tax authorities for five years.

Whilst there is a risk that the Kazakhstani tax authorities may challenge the policies, including those relating to transfer pricing tax legislation, the management believes that they would be successful in defending any such challenge and notes that the amount of potential claim of the tax authorities cannot be reliably estimated. Accordingly, at 31 December 2013, the individual financial statements do not include any provisions for potential tax liabilities (2012: no provision).

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

33. Contingencies, Commitments and Operating Risks (continued)

Transfer pricing

According to transfer pricing law, the international transactions are subject to the state control. This law prescribes the Kazakhstani companies to support and if necessary to provide the economic rationale and the method for pricing applied in the international transactions, including the availability of documentation supporting the prices and price differentials. Additionally, the price differentials cannot be applied in the international transactions with the companies registered in the offshore countries. In case of deviation of transaction price from the market price, the tax authorities have the right to adjust the taxable items and accrue the additional taxes, penalties and fine.

Some sections of the transfer pricing law do not contain any detailed or clear practical guidance (e.g. form and content of documentation supporting the discounts), and determination of the group's tax liabilities in terms of transfer pricing rules requires the interpretation of transfer pricing law.

The group carries out the transactions subject to the transfer pricing state control. Despite possible risks of challenging the group's policy relating to transfer pricing tax legislation by the tax authorities, the management of the group believes that that they would be successful in defending any such challenge if the group's policy relating to transfer pricing tax legislation is challenged by the tax authorities. Accordingly, the individual financial statements of the Company do not include any additional tax liabilities.

Social liabilities

Under subsurface contracts, the group has committed to finance social programs which are beneficial for Zhambyl region of the Republic of Kazakhstan as a whole. The group will not receive any direct benefit from such costs but they are obligatory in accordance with the provisions on acquisition of subsurface use rights. These social costs are recognised as a part of acquisition cost upon the initial recognition, while the respective liabilities are recognised at present value of future social costs during exploration and production stage. Thus, according to the addendums to the contracts for phosphoric ore, the group is required to make annual payment of USD 98 thousand (equivalent of KZT 15,000 thousand) until the contract expiry date for the development of the region. Moreover, similar payments in the amount of USD 10 thousand are provided under the contracts for ground water extraction. At 31 December 2013 the Company recognised provisions for regional social development to the total amount of USD 367 thousand (2012: USD 475 thousand).

The group makes payments into obligatory and voluntary social development programs. These costs are expensed in the period in which they are incurred. The group's social assets as well as local programs for social development will bring the benefits not only to the group's employees but also to the community as a whole. For the years ended 31 December 2013 and 31 December 2012, the group incurred expenses in the amount of USD 1,497 thousand and USD 1,973 thousand, respectively, which were recorded in profit and loss. The group transferred a range of social facilities to the local authorities; however, the management believes that the group will continue to finance such programs in the nearest future.

As part of costs for acquisition of subsurface use rights, the group is liable to finance the employee professional training programs which will bring the benefit both to the group and the community in Zhambyl region. The group is obliged invest at least 0.1% of total operating costs to professional staff trainings programs. These costs are expensed as incurred.

Capital expenditure commitments

At 31 December 2013 the group had contractual capital expenditure commitments on purchase of property, plant and equipment totalling USD 1,255 thousand (2012: USD 2,664 thousand). Management believes that future net income and funding will be sufficient to cover these and any similar commitments.

Operating lease commitments

Where the group is a lessee, future minimum lease payments under non-cancellable operating lease, make USD 26 thousand per month till 11 October 2014 (2012: USD 26 thousand per month).

Insurance policies

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

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

33. Contingencies, Commitments and Operating Risks (continued)

The Group holds insurance policies in relation to the following risks:

- Insurance of property;
- Insurance of civil liability of employer for causing damage to life and health of employee during his/her work duties;
- Insurance of civil liability of employer for causing damage to environment;
- Insurance of civil liability of vehicles owners;
- Insurance of civil liability of property owners, operations which can cause damage to third parties

European antidumping commission investigation. At the end of 2011, the EU Anti-Dumping Commission (hereinafter the "Commission") launched an investigation regarding the use by the group of non-market sales prices on the European market of phosphoric products consumers. The Commission's Representatives visited the head office and branches of the group to review the working documents for production of phosphoric products. As at the reporting date, the Commission has completed its investigation and proceedings were closed without charging any penalties.

Environmental matters. The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the financial statements. Thus, due to adoption of the Ecology Code of the Republic of Kazakhstan, during 2008 the Group created a liquidation fund to provide for landfill site restoration and environmental monitoring upon closure. In addition to the liquidation fund, representing a special account for accumulation of funds, the Group accrued a provision for landfill site restoration obligations. The amount of the accrued provision for landfill site restoration obligations was based on management's best estimates of future costs which will be incurred by the Group for repayment of its current liabilities. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage. Environmental protection management system ISO 14001 and quality management system ISO-9001 are implemented in several branches of the group. In 2009 the group introduced health and labour safety management system based on OHSAS 18001 and received the certificate on compliance with the standard effective until September 2014 (ISO-9001) (branch "Railway-Transportation Complex"). Moreover, in 2013 there was received certification of quality management system (QMS) in branches GPK Karatau, GPK Chulaktau, NDPP (Novodzhambul Phosphorous Plant) and MFP (Mineral Fertilizers Plant). The validity of these certificates expires in 2016. The Group also developed and approved management policies in quality, environment and health and safety which are targeted at strict compliance with requirements and expectations of customers and other stakeholders in product quality, environment pollution prevention and health and safety.

Provision for asset retirement and restoration obligations. Kazakhstani legal environment and practice is continuously evolving, which may result in varying interpretations and changes in the existing legislation, as well as introduction of the new laws and regulations. Management believes that sufficient provisions have been recorded in these consolidated financial statements with respect to asset retirement obligations arising from requirements of existing regulations and the Group's operations. However, the changes in the legislation or its interpretation, as well as changes in management's judgment may require the Group to revise its estimates and recognise additional asset retirement obligations

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

34. Financial Risk Management

Financial risk factors. The Group's activities expose it to a variety of financial risks: market risk, (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance.

(a) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables, loans receivable, cash and cash equivalents and restricted cash.

The Group has developed policies to ensure that sales of products and services are made to customers with an appropriate credit history and good reputation. Clients which do not meet the Group's solvency requirements may have transactions with the Group only on the terms of prepayments. Maximum credit risk exposure represents the current carrying value of trade receivables, loans receivable, cash and cash equivalents and restricted cash. The group's management believes that the credit risk on loans to related parties is acceptable as it is expected that the loans will be repaid within the period stipulated in the loan agreements.

Cash is placed in financial institutions, which are considered at the time of deposit to have a minimal risk of default. Additionally, the Group analyses the external credit ratings of these financial institutions.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the provisions for receivables impairment already recorded. The carrying amount of trade and other receivables is attributable to the 10 most significant customers of the group amounted to USD 15,700 thousand as at 31 December 2013 (2012: USD 18,986 thousand). Major portion of sales is attributed to wholesale buyers.

The table below shows the credit ratings as of 31 December 2013 and balances with banks and financial institutions where cash and cash equivalents and term deposits were placed as of 31 December 2013 and 31 December 2012:

<i>In thousands of US dollars</i>	Rating	31 December 2013	31 December 2012
<i>Cash and cash equivalents</i>			
Kazkommertsbank JSC	B/ Stable/C (S&P)	32	47
BTA Bank JSC	B-/Stable/-- (S&P)	15	28
Bank CenterCredit	B1/Negative (Moody's)	62	5
Halyk Bank of Kazakhstan JSC	B+/ Negative/B (S&P)	4,771	3,485
HSBC Bank Kazakhstan SB JSC	BBB (Fitch)	-	-
HSBC Bank plc (UK)	AA (Fitch)	30	2,165
Alfa-Bank SB JSC	B+/ Positive/B (S&P)	8	-
AFT Bank JSC	BBB (Fitch)	2	1
Foreign exchange difference		-	-
Total cash and cash equivalents		4,920	5,731
<i>Restricted cash</i>			
Alfa-Bank	Standard & Poor's BBB	185	138
Halyk Bank of Kazakhstan JSC	Fitch BB	51	35
Delta Bank OJSC, Almaty branch	B/Stable (S&P)	-	-
Total restricted cash		236	173

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

<i>In thousands of USD</i>	Carrying value	
	31 December 2013	31 December 2012
Europe	12,461	14,577
CIS	8,106	8,053
Domestic	3,213	4,343
	23,780	26,973

KAZPHOSPHATE LIMITED**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013****34. Financial Risk Management (continued)****(b) Market risk**

Currency risk. Foreign exchange risk arises when future foreign currency inflows or recognised assets and liabilities are denominated in currency other than the group companies functional currency.

The group exports a part of its products to the European Union and CIS markets, borrows in foreign currencies and purchases materials in foreign currency. As a result, the group is exposed to currency risk. Production and processing costs are denominated in Kazakhstan Tenge, while the portion of revenues is denominated in USD, EUR and RUB. Thus, the group is exposed to risk that changes in exchange rates shall affect both the revenue and financial position.

The management does not have formal arrangements to mitigate the currency risk levels of the group's operations.

Exposure to currency risk

Group's exposure to currency risk based on nominal values was as follows:

	USD- denominated	EUR- denominated	RUB- denominated	GBP- denominated	USD- denominated	RUB- denominated	EUR- denominated	GBP- denominated
<i>In thousands of USD</i>	2013	2013	2013	2013	2012	2012	2012	2012
Trade and other receivables	18,514	-	2,052	-	19,771	2,858	-	-
Loans issued	58,430	554	-	1,387	59,062	-	491	1,168
Loans and borrowings	(288,252)	-	-	-	(278,648)	(1,644)	-	-
Trade payables	(4,585)	(3,814)	(2,801)	-	(2,558)	(3,413)	(2,650)	-
Exposure of the statement of financial position to foreign exchange risk, net	(215,893)	(3,260)	(749)	1,387	(202,373)	(2,199)	(2,159)	1,168

During a year the following main foreign exchange rates were applied:

	Average exchange rate		Spot rate at the balance sheet date	
<i>In thousands of USD</i>	2013	2012	2013	2012
1 USD	152.13	149.11	153.61	150.74
1 EUR	202.09	191.67	211.17	199.22
1 RUB	4.78	4.8	4.69	4.96
1 GBP	237.96	236.23	253.29	243.72

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the reporting date with all other variables held constant:

	31 December 2013	31 December 2012
<i>In USD thousands</i>	Effect on profit or loss	Effect on profit or loss
USD strengthening by 20% (2012: strengthening by 10%)	(8,056)	(6,605)
USD weakening by 10% (2012: weakening by 10%)	4,028	6,605
EUR strengthening by 20% (2012: strengthening by 10%)	(522)	(175)
EUR weakening by 10% (2012: weakening by 10%)	261	175
RUB strengthening by 10% (2012: strengthening by 6%)	(60)	(107)
RUB weakening by 10% (2012: weakening by 6%)	60	107
GBP strengthening by 20% (2012: strengthening by 10%)	(222)	(94)
GBP weakening by 10% (2012: weakening by 10%)	111	94

Price risk. The Group is not subject to equity price risk because it does not have portfolio of quoted equity instruments.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

34. Financial Risk Management (Continued)

Interest rate risk. At 31 December 2013 the group is not exposed to interest rate risk as it has no financial instruments with floating interest rate.

Liquidity risk

Liquidity risk is defined as the risk that the group will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due. The group's approach to liquidity management is to ensure the continuous and sufficient liquidity to meet the group's liabilities as they fall due (both under standard and non-standard situations), preventing unacceptable losses or the group's reputation damage risk.

Below is the information on contractual terms of financial liabilities settlement, including interest payments as at 31 December 2013 and as at 31 December 2012 :

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 year	Over 5 years
Liabilities							
Borrowings	288,252	342,053	11,597	38,424	-	122,867	169,165
Trade and other payables*	45,982	45,982	-	45,982	-	-	-
Provision for social development	367	367	-	-	116	251	-
Total	334,601	388,402	11,597	84,406	116	123,118	169,165

<i>In thousands of US dollars</i>	Carrying value	Cash flows under agreement	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities							
Borrowings	323,113	323,113	14,438	18,336	28,047	187,703	74,589
Trade and other payables*	32,043	32,043	-	32,043	-	-	-
Provision for social development	746	746	-	-	110	441	195
Total	355,902	355,902	14,438	50,379	28,157	188,144	74,784

* Advances received, claim provision and estimated liabilities are not included.

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

35. Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital under management. Net debt is determined as total amount of borrowings (including current and non-current borrowings recognised in the consolidated statement of financial position) less cash and deposits. Total capital is determined as equity recognised in the consolidated statement of financial position and net debt. Gearing ratio is consistent with the Group's strategy in attracting debt for operating and investment activities.

<i>In thousands of US dollars</i>	Note	2012	2012
Total loans		288,252	278,648
Less: Cash and cash equivalents	14	(4,920)	(5,731)
Net debt		283,332	272,917
Total own capital		266,673	216,761
Total capital		550,005	489,678
Financial leverage ratio		51%	56%

36. Financial Instruments by Measurement Category

The accounting policies for financial instruments have been applied to line items below:

<i>In thousands of US dollars</i>	2013	2012
<i>Loans and receivables</i>		
Restricted cash	236	173
Trade receivables	23,681	25,359
Loans receivable	50,009	50,583
Cash and cash equivalents	4,920	5,731
Total financial assets	78,846	81,846
<i>Other financial liabilities</i>		
Borrowings	288,252	277,499
Trade payables	45,942	32,043
Total financial liabilities	334,194	309,542

KAZPHOSPHATE LIMITED
NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

37. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. The carrying amounts of trade receivables, cash and cash equivalents, restricted cash and loans receivable approximate fair values due to their short term maturities.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to short maturities the carrying amount of trade payables and borrowings approximate their fair values.

38. Events after the Reporting Date

On 11 February 2014, the National Bank of the Republic of Kazakhstan ("the NBRK") announced that the KZT was devalued. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day's close of KZT 155.63 per USD. As the devaluation occurred after the reporting date, these financial statements have not been adjusted for the rate change.

39. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was \$218 thousand (2012: profit \$14,643 thousand).

40. Nature and purposes of reserves

Retained earnings

The retained earnings reserve represents the accumulated retained profits and losses of the Group.

Foreign exchange translation reserve

The foreign exchange translation reserve comprises all currency exchange differences arising from the translation of the financial statements of non-US dollar denominated operations into the presentational currency of the Group.

Revaluation reserve

The revaluation reserve is used to record the increase / decrease in the carrying value of the tangible assets where revalued.

Share capital

Holders of these ordinary shares are entitled to dividends and are also entitled to one vote per share at general meetings of the Company.