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JSC RG BRANDS AND ITS SUBSIDIARIES

Consolidated Financial Statements (Restated)

For the year ended December 31, 2012

JSC RG BRANDS AND ITS SUBSIDIARIES

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012	1
INDEPENDENT AUDITORS' REPORT	2-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012:	
Consolidated statement of comprehensive income	4
Consolidated statement of financial position	5-6
Consolidated statement of changes in equity	7-8
Consolidated statement of cash flows	9-10
Notes to the consolidated financial statements	11-54

JSC RG BRANDS AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Management is responsible for preparing consolidated financial statements of the Joint Stock Company RG Brands and its subsidiaries (together "the Group") that present fairly the Group's consolidated financial position as at December 31, 2012, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

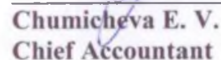
- properly selecting and applying suitable accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- making assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the Group's consolidated financial position, and which enable them to ensure that the Group's consolidated financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and IFRS;
- taking such steps as are reasonably available to them to safeguard the Group's assets; and
- preventing and detecting fraud and other irregularities.

The accompanying consolidated financial statements for the year ended December 31, 2012 were approved on June 12, 2013 by the Group's management.

On behalf of the Group's management:



Westall D. P.	**Aydarkulov A. A.**	**Chumicheva E. V.**
Chairman of the Board	**Finance director**	**Chief Accountant**
June 12, 2013	June 12, 2013	June 12, 2013

Deloitte.

Deloitte, LLP
36 Al Farabi Ave.,
Almaty, 050059,
Republic of Kazakhstan

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Joint Stock Company RG Brands:

We have audited the accompanying consolidated financial statements of JSC RG Brands and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including an assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also involves evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 37 to the consolidated financial statements which describes the restatement of figures of the Group's consolidated statement of financial position as at December 31, 2012 and 2011. Our report is not qualified in respect of this matter.

Olga Belonogova
Engagement Partner
Certified Public Accountant,
State of Oregon, USA
License № 10687
dated December 2, 2003

Timur Zhumazhan
Auditor-performer
Auditor's qualification № 0000039
dated August 8, 2011
Republic of Kazakhstan

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
№ 0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated September 13, 2006

Nurlan Bekenov
General Director
Deloitte, LLP

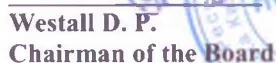
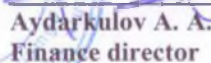
June 12, 2013

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(in thousands of tenge)

	Note	2012	2011
REVENUE	5	34,951,468	30,950,358
COST OF SALES	6	(20,432,286)	(19,811,798)
GROSS PROFIT		14,519,182	11,138,560
Selling expenses	7	(6,719,518)	(5,266,996)
General and administrative expenses	8	(3,408,695)	(2,848,875)
Finance costs	9	(1,248,996)	(1,365,397)
Foreign exchange (loss)/gain		(193,940)	91,465
Investment income, net	10	65,139	87,354
Other expenses		(243,532)	(121,060)
PROFIT BEFORE INCOME TAX		2,769,640	1,715,051
Income tax expense	11	(599,928)	(594,568)
PROFIT FOR THE YEAR		2,169,712	1,120,483
Revaluation of property, plant and equipment		454,130	-
Deferred tax effect related to revaluation		(90,826)	-
Net (loss)/gain on available-for-sale financial assets		(1,794)	3,946
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year		(52,493)	-
Exchange differences on translating foreign operations		2,844	(9,683)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		311,861	(5,737)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,481,573	1,114,746
Basic and diluted earnings per common share, in tenge	12	669	327

Signed on behalf of Group's management:

Westall D. P.	**Aydarkulov A. A.**	**Chumicheva E. V.**
Chairman of the Board	**Finance director**	**Chief Accountant**
June 12, 2013	June 12, 2013	June 12, 2013

The notes on pages 11 to 54 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2 to 3.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012
(in thousands of tenge)

	Note	December 31, 2012 (restated)	December 31, 2011 (restated)
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	17,008,539	17,178,983
Advances paid	14	79,478	80,502
Bank deposits	19	150,740	148,400
Goodwill		68,026	68,026
Intangible assets		22,847	21,342
Other financial assets	17	-	188,034
Total non-current assets		17,329,630	17,685,287
CURRENT ASSETS:			
Inventories	15	4,674,564	4,006,483
Trade accounts receivable	16	1,076,586	922,507
Advances paid	14	249,984	221,866
Other financial assets	17	2,317,104	3,257,181
Other current assets	18	2,284,715	2,170,653
Bank deposits	19	1,347	1,430
Cash	20	470,739	4,267,329
		11,075,039	14,847,449
Assets classified as held for sale	21	1,274,843	1,687,470
Total current assets		12,349,882	16,534,919
TOTAL ASSETS		29,679,512	34,220,206
EQUITY AND LIABILITIES			
EQUITY:			
Issued capital	22	2,787,696	2,787,696
Treasury shares	22	(152,427)	(4,564)
Preferred shares, held within the Group	22	(47,400)	(47,400)
Preferred shares liabilities	27	(900,000)	(900,000)
Additional paid-in capital		-	67,129
Reserves	23	2,134,297	2,170,539
Retained earnings		5,991,135	4,864,797
Total equity		9,813,301	8,938,197
NON-CURRENT LIABILITIES:			
Borrowings	24	4,752,511	5,756,499
Notes payable	25	1,386,313	1,315,352
Obligations under finance leases	26	352,200	641,004
Preferred shares liabilities	27	900,000	900,000
Deferred tax liabilities	11	714,735	40,763
Accounts payable	28	596,214	994,286
Loan from related parties	32	-	630,904
Total non-current liabilities		8,701,973	10,278,808

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2012
(in thousands of tenge)

	Note	December 31, 2012 (restated)	December 31, 2011 (restated)
CURRENT LIABILITIES:			
Accounts payable	28	5,297,182	4,867,481
Loan from related parties	32	-	2,131,241
Borrowings	24	4,372,115	5,610,764
Notes payable	25	19,074	901,287
Obligations under finance leases	26	380,244	414,859
Preferred shares liabilities	27	180,000	180,000
Taxes payable	29	563,652	602,122
Other accounts payable and accrued liabilities		351,971	295,447
Total current liabilities		11,164,238	15,003,201
TOTAL EQUITY AND LIABILITIES		29,679,512	34,220,206
Book value per common share, in tenge	12	2,836	2,583
Book value per preferred share, in tenge	12	1,200	1,200

Signed on behalf of Group's management:

Westall D. P. **Chairman of the Board**	**Aydarkulov A. A.** **Finance director**	**Chumicheva E. V.** **Chief Accountant**
June 12, 2013	June 12, 2013	June 12, 2013

The notes on pages 11 to 54 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2 to 3.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

(in thousands of tenge)

	Issued Capital	Treasury Shares	Preferred shares, held within the Group	Preferred shares liabilities	Additional paid-in capital	Investment revaluation reserve	Properties revaluation reserve	Equity settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total equity
As at January 1, 2011 (as previously stated)	1,840,296	-	-	-	-	50,341	1,289,535	944,599	7,919	3,669,011	7,801,701
Effect of restatements (see Note 37)	947,400	-	(47,400)	(900,000)	-	-	-	-	-	-	
As at January 1, 2011 (restated)	2,787,696	-	(47,400)	(900,000)	-	50,341	1,289,535	944,599	7,919	3,669,011	
Profit for the year	-	-	-	-	-	-	-	-	-	1,120,483	1,120,483
Other comprehensive loss, net of income tax	-	-	-	-	-	3,946	-	-	(9,683)	-	(5,737)
Total comprehensive income for the year	-	-	-	-	-	3,946	-	-	(9,683)	1,120,483	1,114,746
Repurchase of own shares	-	(4,564)	-	-	-	-	-	-	-	(40,815)	(45,379)
Fair value adjustment of interest-free financial aid from parent company	-	-	-	-	83,911	-	-	-	-	-	83,911
Deferred tax effect	-	-	-	-	(16,782)	-	-	-	-	-	(16,782)
Transfer to retained earnings	-	-	-	-	-	-	(116,118)	-	-	116,118	-
As at December 31, 2011 (restated)	2,787,696	(4,564)	(47,400)	(900,000)	67,129	54,287	1,173,417	944,599	(1,764)	4,864,797	8,938,197

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012
(in thousands of tenge)

	Issued Capital	Treasury Shares	Preferred shares, held within the Group	Preferred shares liabilities	Additional paid-in capital	Investment revaluation reserve	Properties revaluation reserve	Equity settled employee benefits reserve	Foreign currency translation reserve	Retained earnings	Total equity
Profit for the year	-	-		-	-	-	-	-	-	2,169,712	2,169,712
Other comprehensive loss, net of income tax	-	-		-	-	(54,287)	363,304	-	2,844	-	311,861
Total comprehensive income for the year	-	-		-	-	(54,287)	363,304	-	2,844	2,169,712	2,481,573
Repurchase of own shares	-	(147,863)		-	-	-	-	-	-	(468,637)	(616,500)
Dividends paid	-	-		-	-	-	-	-	-	(922,840)	(922,840)
Fair value adjustment of interest-free financial aid from parent company	-	-		-	(83,911)	-	-	-	-	-	(83,911)
Deferred tax effect	-	-		-	16,782	-	-	-	-	-	16,782
Transfer to retained earnings	-	-		-	-		(348,103)	-		348,103	-
As at December 31, 2012 (restated)	2,787,696	(152,427)	(47,400)	(900,000)	-	-	1,188,618	944,599	1,080	5,991,135	9,813,301

Signed on behalf of Group management:

Westall D. P,	**Aydarkulov A. A.**	**Chumicheva E.V.**
Chairman of the Board	**Finance director**	**Chief Accountant**
June 12, 2013	June 12, 2013	June 12, 2013

The notes on pages 11 to 54 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2 to 3.

JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(in thousands of tenge)

	Note	2012	2011
OPERATING ACTIVITIES:			
Profit before income tax		2,769,640	1,715,051
Adjustments for:			
Depreciation and amortization	6, 7, 8	1,228,929	1,231,080
Finance costs	9	1,248,996	1,365,397
Foreign exchange loss/(gain), net		193,940	(91,465)
Loss/(gain) from disposal of property, plant and equipment and intangible assets		92,297	(1,687)
Loss from revaluation of property, plant and equipment		53,284	-
Reimbursement of selling expenses incurred without cash settlement	7	(235,878)	(199,097)
Investment income, net	10	(65,139)	(87,354)
Loss from write-off of inventory	8	261,145	198,827
Provision/(reversal of provision) for impairment of advances paid	8	3,969	(16,654)
Accrual of provision for slow-moving and obsolete inventory	8	47,339	112
Amortization of deferred income	7	-	(29,296)
Impairment loss recognized to write-down asset held for sale to fair value less costs to sell	21	206,451	76,355
Employee vacation and other accrued expenses		45,404	19,818
Provision for doubtful debts	8	138,708	20,205
Operating cash flows before movements in working capital		5,989,085	4,201,292
Change in inventories	15	(976,565)	(433,824)
Change in trade accounts receivable	16	(151,866)	(303,713)
Change in advances paid	14	(34,666)	9,353
Change in other current assets	18	197,528	111,744
Change in accounts payable	28	203,212	282,608
Change in taxes payable	29	(38,470)	220,967
Change in other accounts payable and accrued liabilities		11,045	(74,986)
Cash from operations		5,199,303	4,013,441
Interest paid		(1,128,706)	(1,321,223)
Net cash generated by operating activities		4,070,597	2,692,218
INVESTING ACTIVITIES:			
Net cash inflow from purchase and sale of investments		416,611	156,789
Purchase of notes of related party	32	(1,196,826)	-
Proceeds from sale of shares of JSC AIFRI Innova Capital Partners	32	2,368,140	700,014
Loan provided to related party	32	(1,562,000)	-
Proceeds from disposal of property, plant and equipment, intangible assets and assets classified as held for sale		232,660	1,094
Increase in bank deposits		-	(1,136)
Purchase of property, plant and equipment and intangible assets	13	(775,081)	(871,374)
Net cash used in investing activities		(516,496)	(14,613)

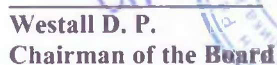
JSC RG BRANDS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012
(in thousands of tenge)

	Note	2012	2011
FINANCING ACTIVITIES:			
Repayment of borrowings	24	(7,850,981)	(3,218,347)
Repayment of loan from parent company	32	(2,383,373)	(1,460,299)
Repayment of obligations under finance leases	26	(423,621)	(531,671)
Repayment of notes payable	25	(875,977)	(155,452)
Dividends paid		(922,840)	-
Repurchase of own shares	22	(462,036)	-
Proceeds of loan from parent company	32	-	3,843,672
Proceeds from borrowings	24	5,551,408	2,907,000
Net cash (used in)/generated by financing activities		(7,367,420)	1,384,903
NET CHANGE IN CASH		(3,813,319)	4,062,508
CASH, beginning of the year	20	4,267,329	130,075
Effect of changes in foreign exchange rates in relation to cash		16,729	74,746
CASH, end of the year	20	470,739	4,267,329

Significant non cash transactions are disclosed in Note 35.

Signed on behalf of Group's management:



Westall D. P.	**Aydarkulov A. A.**	**Chumicheva E. V.**
Chairman of the Board	**Finance director**	**Chief Accountant**
June 12, 2013	June 12, 2013	June 12, 2013

The notes on pages 11 to 54 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2 to 3.

1. GENERAL INFORMATION

The principal activity of JSC RG Brands and its subsidiaries (together "the Group") is the production, sale and distribution of juices, carbonated soft drinks, milk, chips, as well as the packing, sale and distribution of tea and other general commercial products. The Group's operations are primarily in the Republic of Kazakhstan (hereafter – "the Republic of Kazakhstan" or "Kazakhstan").

Ownership of the Company

The holding company, JSC RG Brands (hereafter – "RG Brands" or "the Company") was initially registered on June 22, 1998 as a limited liability partnership. The Company was re-registered as a joint stock company on March 27, 2001.

Shareholders of the Company as at December 31, 2012 and 2011 are disclosed in Note 22.

Group structure and operations

The Group includes the Company and the following subsidiaries:

	Ownership interest		Voting power	
	2012	2011	2012	2011
RG Brands Kazakhstan LLP	100%	100%	100%	100%
Uni Commerce Ltd LLP	100%	100%	100%	100%
RG Brands Kyrgyzstan LLC	100%	100%	100%	100%
RG Brands Tashkent LLC	100%	100%	100%	100%

RG Brands carries out the management functions in terms of organization of the activities of its subsidiaries.

RG Brands Kazakhstan LLP (hereinafter – RG Brands Kazakhstan) performs the following types of activity:

- production of juices under trademarks "Gracio", "Da-Da" and "Nektar Solnechnyi";
- production of carbonated soft drinks under trademarks "Pepsi", "Seven -Up", "Mirinda", "Aquafina" and "Aport";
- packing, distribution and sale of various brands of tea processed from imported raw tea, including the "Piala" brand;
- production of packaged milk under the "Moye" trademark;
- processing of agricultural products, into, among others potato chips, corn fingers and croutons under "Grizli" trademark.;
- production of bottled drinking water under trademark "A'SU";
- production of drinks contained juice and cold tea under trademarks "DaDaDay" and "Lipton";
- production of energetic drink "Yeti";
- sale and distribution on the territory of Republic of Kazakhstan products of the Group, and other products purchased for repacking and resale.

The principal activity of Uni Commerce Ltd. LLP is the management of the Group's investment portfolio.

RG Brands Tashkent LLC (hereinafter – RG Brands Tashkent) and RG Brands Kyrgyzstan LLC (hereinafter – RG Brands Kyrgyzstan) perform a sales and distribution role in the Republic of Uzbekistan and the Kyrgyz Republic, respectively, for the Group's products as well as for other goods purchased for repacking and resale.

All subsidiaries, other than RG Brands Kyrgyzstan and RG Brands Tashkent, which are registered in the Kyrgyz Republic and the Republic of Uzbekistan, are registered in Kazakhstan.

The Group's head office is located in Almaty and its production facilities are located in Almaty, Almaty region and Kustanai, all in the Republic of Kazakhstan. The Group also has sales and distribution operations in Kyrgyz Republic and the Republic of Uzbekistan.

Legal address:	212 B, Raimbek ave., Almaty, Republic of Kazakhstan
Ownership status:	Private

Bottling agreements with Pepsi and Seven-Up International

The Group operates its carbonated soft drinks production under an exclusive bottling appointment agreement, concluded between RG Brands Kazakhstan and Pepsico Inc. and between RG Brands Kazakhstan and Seven-Up International. Under these agreements, RG Brands Kazakhstan shall receive the rights for bottling, sale and distribution of PepsiCo and Seven-Up products in Kazakhstan until July 21, 2010 with automatic prolongation for 5 years and subsequently for 5 years at the end of each 5-year period.

The rights for distribution of Pepsico Inc., Pepsi Lipton International Limited and Seven-Up products in Kyrgyz Republic, Tadzhikistan and Turkmenistan are provided under agreements concluded with these companies till December 31, 2012 inclusive. Agreements on the rights for distribution of products in Kyrgyz Republic, Tadzhikistan and Turkmenistan were prolonged till December 31, 2012, inclusive by executing a further agreement on February 1, 2013.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective for the current period

The Group has adopted the following Standards, including amendments to existing standards, in the current year:

- IAS 12 *Income Tax* – Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012);
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective for annual periods beginning on or after 1 July 2011);
- IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Additional exemptions for entities ceasing to suffer from severe hyperinflation (effective for annual periods beginning on or after 1 July 2011);
- Amendments to IFRS 7 *Financial Instruments: Disclosures,* related to enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011);

Adoption of these Standards has not led to any changes in the Group's accounting policy.

Standards and Interpretations in issue but not yet effective

At the date of authorization of these financial statements, the following Interpretations and Standards were in issue but not yet effective

- Amendments to IAS 1 *Presentation of Financial Statements* — amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012);
- Amendments to IAS 19 *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 *Consolidated and Separate Financial Statements* – reissued as IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013);
- IAS 28 *Investments in Associates* – reissued as IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013);
- IAS 32 *Financial Instruments: Presentation* – amendments providing clarifications on application of the offsetting rules (effective for annual periods beginning on or after 1 January 2014);

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - dealing with loans received from governments at a below market rate of interest upon transition to IFRS (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, enhancing disclosures about offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 7 *Financial Instruments: Disclosures*, requiring disclosures about first-time adoption of IFRS 9 (effective for annual periods beginning on or after 1 January 2015);
- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12 *Disclosure of Interest in Other Entities* (effective for annual periods beginning on or after 1 January 2013);
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013);
- Amendments to IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interest in Other Entities*, relating to investment companies (effective for annual periods beginning on or after 1 January 2014);
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interest in Other Entities*, relating to transition provisions;
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013);
- Improvements to some existing standards and interpretations issued by the IFRS Committee within an annual initiative (2009-2011 Cycle) aimed at the general improvement of the effective International Financial Reporting Standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and measurement. These amendments are effective for accounting period beginning on 1 January 2013.

Management believes that adoption of these Standards and Interpretations, if applicable, will have no material impact on the financial statements of the Group in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments and land and buildings and constructions which are measured at fair value or at revalued amounts, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of the Group's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain the benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

All intra-group transactions, balances, income and expenses, including unrealized profits in inventories and property, plant and equipment sold within the Group are eliminated on consolidation.

Foreign currencies

The consolidated financial statements are expressed in Kazakhstani tenge ("tenge" or "KZT"), which is the functional currency of the Company and its subsidiaries in Kazakhstan and the presentation currency for these consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency, tenge, are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date of the statement of financial position. Non-monetary items measured at historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of comprehensive income in the period in which they arise, except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of preparing consolidated financial statements, the financial statements of RG Brand Kyrgyzstan and RG Brands Tashkent (the Group's foreign operations) were translated from Kyrgyz Som and Uzbek Sum, the functional currency of these entities, into tenge using the following exchange rates:

- assets and liabilities were translated using exchange rates at the date of consolidated statement of financial position;
- revenue and expenses were translated at the average exchange rate for the period provided that exchange rate has not substantially changed during the annual period, otherwise the exchange rate as of the transaction date is applied; and
- gain/(loss) arising from this translation is recorded as foreign exchange differences arising on translation of foreign operations in other comprehensive income/(loss).

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, discounts and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Retirement benefit costs

In accordance with the legislative requirements of the Republic of Kazakhstan, the Group pays an amount equivalent to 10% of each employee's wage into a accumulation pension fund. However, in accordance with Kazakhstan legislation, from January 1, 2012, the contribution per employee should not exceed 130,793 tenge per month. Prior to this date, the maximum monthly contribution per employee was 119,992 tenge. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other payroll costs in profit or loss.

Income taxes

The income tax expense represents the sum of tax currently payable and deferred income tax.

Current tax

Tax currently payable is based on taxable income for the year. Taxable income differs from net profit as reported in the consolidated statement of comprehensive income as it excludes income or expense items that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates in effect at the date of the statement of financial position.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements, and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if a temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Earnings per share

Basic earnings per share is calculated by dividing net profit attributable to the equity holders of the Group for the period by the weighted average number of issued common stocks, while diluted earnings per share is calculated considering the weighted average number of diluting share options in addition to the number of issued common stocks.

Property, plant and equipment

Property, plant and equipment, other than land, buildings and constructions

Items of property, plant and equipment other than land, buildings and constructions are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor costs and an appropriate proportion of construction related overheads. Interest is capitalized in accordance with the accounting policy in respect of borrowings and borrowing costs outlined below. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Land and buildings and constructions

Subsequent to initial recognition, land, buildings and construction are carried at revalued amounts being their fair value at the date of the revaluation. Revaluations are made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using estimated fair values at the reporting date. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognized in other comprehensive income, except to the extent it reverses a revaluation decrease of the carrying amount of the same asset previously recognized in profit or loss. In this case a surplus is debited within the amount of expenses previously recognized. A revaluation deficit is recognized in profit or loss, except when a deficit directly decreases a previous surplus on the same asset. In such cases a deficit decreases the reserve amount for the assets recognized in other comprehensive income.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation charged to the revalued assets and depreciation charged to the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Construction-in-progress

Capital construction in progress includes costs incurred on specific assets that have not been completed or placed into service. When such assets are completed and are ready for their intended use, they are transferred to the relevant property, plant and equipment category and depreciated on the basis described below.

Assets received on free of charge basis

Assets received free of charge or for which a partial rebate is received are recognized as items of property, plant and equipment at the fair market value of the asset received. Such assets are subsequently depreciated over the useful life of a typical asset of that class. The value of the portion of the asset which was received free of charge through a rebate is recognized as deferred income and amortized over the useful life of the asset received.

Assets acquired with deferred payment

Assets acquired with payment deferred beyond normal credit term are recognized as items of property, plant and equipment at the amount of cash or cash equivalents paid or at the fair value of the other consideration given to acquire an asset at the time of its acquisition. The difference between the cost of acquisition and the total payment is recognized as interest over the period of credit unless such interest is capitalized on the basis of the policy on borrowings described below.

Subsequent expenditures

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalized at the present value of the component being depreciated. Other subsequent expenditure is capitalized only when it increases the future economic benefits of the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of comprehensive income as an expense when incurred.

Depreciation other than depreciation of production assets

Depreciation is charged and recorded in profit or loss on a straight-line basis over the estimated useful lives of the individual assets.

Depreciation starts from the date of acquisition or, in respect of internally-constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The following average useful economic lives are used:

Buildings and constructions	13 to 20 years
Machinery and equipment	5 to 14 years
Vehicles	7 to 14 years
Other	3 to 14 years

The estimated useful life and depreciation methodology are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Leasehold improvements are depreciated over the lesser of useful life and the lease term of the relevant asset.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the relevant lease term.

Depreciation of production assets

Production method of depreciation is used in production divisions of the Group, and is applied to property, plant and equipment directly involved into production of finished goods of the Group. Depreciation is charged and recorded in profit or loss on units of production method, assessed based on technical life of the asset and its relative efficiency.

Disposal of property, plant and equipment

An item of property, plant and equipment is derecognized after it is disposed of or when the receipt of future economic benefits from its use or disposal is no longer expected. Any income or expenses arising upon derecognition of an asset (calculated as a difference between the net proceeds from the disposal and carrying value of the asset) are included into the consolidated statement of comprehensive income in the reporting period in which the asset is derecognized.

Impairment of property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less selling costs, and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventory

Inventory is stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out ("FIFO") method. Net realizable value represents the estimated selling price less all estimated costs to complete production and costs to be incurred in marketing, selling and distribution. The Group creates provisions for slow moving and obsolete inventory based on inventory turnover ratios and current marketing plans.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally to be sold in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in a manner described in Note 33.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

Available-for-sale ("AFS") financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 33. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the reporting date. A change in fair value attributable to translation differences that result from a change in the amortized cost of the asset is recognized in profit or loss, while other changes are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Cash

Cash include cash on hand, cash in banks and fixed-term deposits with an original maturity of three months or less. Where restricted for use, cash and cash equivalents are disclosed appropriately in the notes to the consolidated financial statements.

Impairment of financial assets

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

The carrying amount of a financial asset is reduced by the impairment loss for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

Financial liabilities and equity instruments issued by the Group:

Classification as debt or equity

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

Equity instruments

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

Consideration paid for reacquisition of own equity instruments are recognized directly in equity. The Group recognizes the proportion of the shares that are purchased out of share capital of the Group (i.e. at par value) as treasury shares and reduce its retained earnings for the proportion of shares that are purchased out of the profit of the Group (i.e. excess of par value).

Compound instruments

The component parts of compound instruments (preferred shares with cumulative, mandatory dividends) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt instruments. The residual amount, if any, determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole, attributed to equity component Afterwards, liability component is valued in accordance with the same principles as loans, and equity component remains the same.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL where the financial liability is either held for trading or it is designated at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally to be repurchased in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that has not been designated and is not effective as a hedging instrument.

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

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

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest paid on the financial liability.

Other financial liabilities

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

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or implied) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as at the date of the consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of an economic benefit required to settle a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Provisions for restructuring costs are recognized when the Group has a detailed formal restructuring plan which has been notified to the parties concerned. A restructuring provision measures only the direct expenditure arising from the restructuring, including those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the date of the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for doubtful debts and obsolete inventories

Management's determination of provisions for doubtful debt and for slow-moving and obsolete inventories requires the management to make assumptions based on their best estimates of the Group's ability to realise these assets. Management may, as a result of changes in the general economic or other similar circumstances subsequent to the date of the consolidated statement of financial position, draw conclusions which could be different to those made in preparing these consolidated financial statements.

Classification of receivables from related parties

Management's determination of the appropriateness of classification of receivables from related parties requires the management to review contractual terms, as well as the intention and ability of a counterparty to settle these receivables within agreed timeframes. Management's classification of receivables from related parties reflects all relevant information available to them as at the date of these consolidated financial statements.

Revaluation of property, plant and equipment

The Group's buildings and constructions are carried at revalued amount. As described in Note 13, in 2012 the Group changed its accounting policy for "Land" class of property, plant and equipment from cost method to revaluation method. Following this change, on July 31, 2012, a valuation of the Group's land, buildings and constructions was performed by an independent appraiser. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) discounted cash flows the assessed property is expected to generate using a discount rate of 12% and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. The discounted cash flow analysis requires the Group to take into consideration the timing, frequency and magnitude of the variable income stream which the assessed property is expected to generate and a suitable discount rate. Management's estimates of the future cash-generating capabilities of a particular asset are based on certain assumptions which are subject to a number of factors that may change over time. Adjustment of the prices of similar or comparable assets requires analysis of such factors as location, size, functional use and condition of the asset. Management's assessment of the cash flow forecast, the discount rate and adjustments applied to similar or comparable assets reflects relevant information available to them as at the date of these consolidated financial statements.

Useful lives of property, plant and equipment

As described in Note 3, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The assessment of the useful life of an asset is dependent upon factors such as economic use, repair and maintenance programs, technological advancements and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects relevant information available to them as at the date of these consolidated financial statements.

Deferred tax assets

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on expected performance.

5. REVENUE

	2012	2011
Sales of carbonated soft drinks	11,477,343	8,346,618
Sales of juices and juice containing drinks	9,465,229	8,604,743
Sales of packed tea	9,021,802	9,265,346
Sales of packed milk	4,525,583	4,382,767
Sales of chips	461,511	337,645
Sales of goods for resale	-	13,239
	34,951,468	30,950,358

6. COST OF SALES

	2012	2011
Materials	18,064,891	17,730,115
Payroll and related taxes	710,162	577,045
Depreciation and amortization	701,035	721,792
Utilities	603,161	465,166
Repairs	313,600	229,363
Cost of goods purchased for resale	-	10,990
Other costs	39,437	77,327
	20,432,286	19,811,798

7. SELLING EXPENSES

	2012	2011
Transportation	2,019,795	1,545,647
Advertising campaigns and market research	1,209,496	973,456
Advertising and promotional materials	1,098,669	832,285
Sales agents expenses	757,640	509,528
Payroll and related taxes	580,602	488,789
Amortization of marketing equipment	472,993	451,148
Lease of vehicles, warehouses and office premises	263,775	252,589
Write-off of materials	47,431	21,455
Business trip expenses	14,911	21,481
Taxes, other than income tax	13,345	12,680
Amortization of deferred income	-	(29,296)
Reimbursement of selling expenses	(235,878)	(199,097)
Other selling expenses	476,739	386,331
	6,719,518	5,266,996

8. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Payroll and related taxes	1,267,332	1,171,775
Consulting services	298,910	274,122
Waste goods write-off	261,145	198,827
Penalties and fines	229,209	112,374
Taxes, other than income tax	217,422	196,774
Bank charges	209,597	239,054
Provision for doubtful debts	138,708	21,179
Utilities	100,183	87,794
Transportation expenses	108,415	110,103
Travel expenses	70,961	55,506
Depreciation and amortization	54,901	58,140
Provision for slow-moving and obsolete inventory	47,339	112
Security services	39,969	39,945
Rent	36,993	45,095
Communication services	36,807	19,761
Repairs	27,700	39,526
Legal services	24,332	26,648
Insurance	19,298	22,808
Training	16,973	27,776
Representative expenses	5,692	7,119
Provision/(reversal of provision) for impairment of advances paid	3,969	(16,654)
Other expenses	192,840	111,091
	3,408,695	2,848,875

9. FINANCE COSTS

	2012	2011
Interest paid/payable on borrowings	699,800	800,658
Interest paid/payable on notes payable	245,511	192,538
Preferred shares dividends (see Note 27)	180,000	180,000
Interest paid/payable on obligations under finance leases	123,685	177,386
Amortization of discount on financial aid received from parent company	-	14,815
	1,248,996	1,365,397

Interest paid/payable on borrowings for the year ended December 31, 2012 is presented net of subsidies of 79,106 thousand tenge, (2011: 107,585 thousand tenge), received under the Kazakhstan State program "Road map of the business 2020" (see Note 24).

10. INVESTMENT INCOME, NET

	2012	2011
Interest received/receivable on loans to related parties (see Note 17)	49,351	133,671
Other investment income/(losses), net	15,788	(46,317)
	65,139	87,354

11. TAXATION

	2012	2011
Current income tax expense	-	8,303
Deferred income tax expense	599,928	586,265
Total income tax expense	599,928	594,568

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax assets and liabilities are calculated at the rate expected to apply in the period when assets are realized or liabilities are settled.

The tax effect on the major temporary differences that give rise to deferred tax assets and liabilities as of 31 December 2012 and 2011 is presented below:

	2012	2011
Deferred tax assets:		
Tax losses carried forward	478,100	939,622
Provision for unused vacation and bonuses	38,298	29,217
Provision for doubtful debt	54,422	28,997
Taxes	2,470	1,978
Provision for slow-moving and obsolete inventory	11,034	1,567
Property, plant and equipment and intangible assets	705	722
	585,029	1,002,103
Deferred tax liabilities:		
Loan from related parties	-	(13,819)
Property, plant and equipment and intangible assets	(1,299,764)	(1,029,047)
	(1,299,764)	(1,042,866)
Deferred tax liabilities, net	(714,735)	(40,763)

In 2012 and 2011 the statutory tax rate effective in the Republic of Kazakhstan, the location of the majority of the Group's entities, was 20%.

Below is a reconciliation of theoretical income tax at 20% to the actual tax expense recorded in the Group's consolidated statement of comprehensive income:

	2012	2011
Profit before income tax	2,769,640	1,715,051
Income tax at the statutory tax rate of 20%	553,928	343,010
Effect of permanent differences	46,000	221,865
Unused tax losses not recognized as deferred tax assets	-	29,693
Income tax expense	599,928	594,568

The change in deferred tax was presented as follows:

	January 1, 2012	Recognised in profit and loss	Recognised in other comprehensive income	Recognised in equity	December 31, 2012
Tax losses carried forward	939,622	(461,522)	-	-	478,100
Provision for unused vacation and bonuses	29,217	9,081	-	-	38,298
Provision for doubtful debt	28,997	25,425	-	-	54,422
Taxes	1,978	492	-	-	2,470
Provision for slow-moving and obsolete inventory	1,567	9,467	-	-	11,034
Property, plant and equipment and intangible assets	(1,028,325)	(179,908)	(90,826)	-	(1,299,059)
Loan from related parties	(13,819)	(2,963)	-	16,782	-
	(40,763)	**(599,928)**	**(90,826)**	**16,782**	**(714,735)**

	January 1, 2011	Recognised in profit and loss	Recognised in other comprehensive income	Recognised in equity	December 31, 2011
Tax losses carried forward	1,197,865	(258,243)	-	-	939,622
Provision for unused vacation and bonuses	25,254	3,963	-	-	29,217
Provision for doubtful debt	28,287	710	-	-	28,997
Taxes	1,918	60	-	-	1,978
Provision for slow-moving and obsolete inventory	1,544	23	-	-	1,567
Deferred income	5,859	(5,859)	-	-	-
Property, plant and equipment and intangible assets	(698,443)	(329,882)	-	-	(1,028,325)
Loan from related parties	-	2,963	-	(16,782)	(13,819)
	562,284	**(586,265)**	**-**	**(16,782)**	**(40,763)**

12. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Earnings per share is calculated as the profit for the year attributable to equity holders of the parent company divided by the weighted average number of common shares issued and outstanding during the year, as shown below.

	2012	2011
Calculation of basic and diluted earnings per share		
Profit for the year	2,169,712	1,120,483
Weighted average number of issued and outstanding during the year common shares	3,241,371	3,430,028
Basic and diluted earnings per share, in tenge	669	327

As at December 31, 2012 and 2011, there are no dilutive financial instruments or other financial instruments that may require the Group to issue common shares.

On November 8, 2010 the Kazakhstan Stock Exchange introduced new rules for companies included into trade listings which require presentation of book value per share in the financial statements.

The book value per one common share is presented below:

	2012	2011
Calculation of book value per common share		
Net assets, excluding intangible assets as at December 31	9,790,454	8,916,855
Number of issued common shares	3,452,730	3,452,730
Book value per common share, in tenge	2,836	2,583

The book value per one preferred share is presented below:

	2012	2011
Calculation of book value per preferred share		
Outstanding balance of preferred shares classified as liability as at December 31	900,000	900,000
Number of issued preferred shares	750,000	750,000
Book value per preferred share, in tenge	1,200	1,200

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost or revalued amount							
At January 1, 2011	1,128,264	7,993,384	15,558,344	211,758	567,064	914,038	26,372,852
Additions	2,215	45,262	479,785	39,912	65,093	227,800	860,067
Transfer to assets classified as held for sale	(23,930)	(1,871,259)	-	-	-	(5,844)	(1,901,033)
Internal transfers	-	4,814	390,530	-	-	(395,344)	-
Disposals	-	(4,814)	(17,087)	(27,259)	(43,233)	-	(92,393)
At January 1, 2012	1,106,549	6,167,387	16,411,572	224,411	588,924	740,650	25,239,493
Additions	-	40,969	520,063	98,467	81,001	28,628	769,128
Internal transfers	-	10,146	109,970	-	-	(120,116)	-
Revaluation increase	15,539	385,306	-	-	-	-	400,845
Elimination of accumulated depreciation due to revaluation	-	(1,282,931)	-	-	-	-	(1,282,931)
Disposals	-	-	(199,679)	(55,185)	(15,737)	-	(270,601)
At December 31, 2012	1,122,088	5,320,877	16,841,926	267,693	654,188	649,162	24,855,934
Accumulated depreciation							
At January 1, 2011	-	(1,238,855)	(5,817,942)	(87,533)	(374,568)	-	(7,518,898)
Charge for the year	-	(464,360)	(650,515)	(29,434)	(69,384)	-	(1,213,693)
Transfer to assets classified as held for sale	-	618,426	-	-	-	-	618,426
Disposals	-	-	4,093	12,927	36,635	-	53,655
At January 1, 2012	-	(1,084,789)	(6,464,364)	(104,040)	(407,317)	-	(8,060,510)
Charge for the year	-	(470,038)	(632,292)	(33,618)	(86,040)	-	(1,220,988)
Elimination of accumulated depreciation due to revaluation	-	1,282,931	-	-	-	-	1,282,931
Disposals	-	-	135,669	7,853	7,650	-	151,172
At December 31, 2012	-	(271,896)	(6,960,987)	(129,805)	(484,707)	-	(7,847,395)
Net book value							
At December 31, 2012	1,122,088	5,048,981	9,880,939	137,888	169,481	649,162	17,008,539
Net book value							
At December 31, 2011	1,106,549	5,082,598	9,947,208	120,371	181,607	740,650	17,178,983

The Group has property, plant and equipment received under finance leases at December 31, 2012 and 2011 with a net book value of 2,015,630 thousand tenge and 2,077,954 thousand tenge, respectively. The lessor's rights for these leased assets are the collateral for the Group's finance lease obligations (see Note 26).

At December 31, 2012 and 2011 property, plant and equipment with a carrying value of 12,733,335 thousand tenge and 11,214,696 thousand tenge, respectively, has been pledged to secure borrowings (see Note 24). The Group is not allowed to pledge these assets as security for other borrowings or to sell them.

The Group's buildings and constructions are carried at revalued amounts. In 2012, the Group changed its accounting policy for the "Land" class of property, plant and equipment from the cost method to the revaluation method. Following this change, on July 31, 2012, a valuation of the Group's land, buildings and constructions was performed by an independent appraiser. Had the Group's land and buildings and constructions been measured on a historical cost basis, their carrying amount as at December 31, 2012 and 2011 would have been 4,738,581 thousand tenge and 3,997,721 thousand tenge, respectively.

14. ADVANCES PAID

	2012	2011
Non-current:		
Advances paid for property, plant and equipment	78,710	78,710
Other	768	1,792
	79,478	80,502
Current:		
Advances paid for services and inventory	265,534	233,447
Less: Provision for impairment	(15,550)	(11,581)
	249,984	221,866

15. INVENTORIES

	2012	2011
Finished goods	1,740,683	1,720,628
Raw materials	1,447,019	978,687
Packing materials	997,354	744,676
Spare parts	328,323	316,254
Other	216,357	254,071
Less: Provision for slow-moving and obsolete inventory	(55,172)	(7,833)
	4,674,564	4,006,483

At December 31, 2012 inventories with an assessed value of not less than 25,030 thousand US Dollars (equivalent in tenge to 3,772,909 thousand tenge) and 236,738 thousand tenge (at December 31, 2011: 25,030 thousand US Dollars (equivalent in tenge 3,714,372 thousand tenge) and 421,227 thousand tenge) have been pledged to secure borrowings (see Note 24).

16. TRADE ACCOUNTS RECEIVABLE

	2012	2011
Trade accounts receivable	1,087,231	933,366
Less: provision for doubtful debts	(10,645)	(10,859)
	1,076,586	922,507

At December 31 trade accounts receivable were denominated in the following currencies:

	2012	2011
In Tenge	1,061,309	912,499
In Kyrgyz Som	15,277	10,008
	1,076,586	922,507

In determining the recoverability of trade accounts receivable, the Group considers any change in the credit quality of trade receivables from the date of origination of receivables to the reporting date. The concentration of credit risk is limited due to the existence of a large customer base.

17. OTHER FINANCIAL ASSETS

	2012	2011
Investments held for trading (see Note 32)	2,226,336	246,955
Investments available-for-sale	90,768	251,227
Receivable from related party, at amortized cost (see Note 32)	-	2,947,033
	2,317,104	3,445,215
Current portion	2,317,104	3,257,181
Non-current portion	-	188,034
	2,317,104	3,445,215

Investments held for trading:

	2012	2011
Cost of investment in equity securities	19,504	38,224
Cost of investment in debt securities	2,206,832	208,731
	2,226,336	246,955

Investments in equity securities are quoted on a stock exchange and offer the Group the opportunity for returns through dividend income and fair value gains. They have no fixed maturity date or coupon rate. The fair values of these securities are determined by reference to quoted market prices.

Investments in debt securities offer the Group the opportunity for returns through interest income and fair value gains. The fair values of these securities are determined by reference to quoted market prices.

As at December 31, 2012 investments held for trading included investments in securities of related parties of 2,220,449 thousand tenge (December 31, 2011: 150,125 thousand tenge) (see Note 32).

Available-for-sale investments:

These investments have no fixed maturity date or coupon rate and are mainly represented by shares of Kazakhstani companies (December 31, 2011: shares in mutual funds, managed by a related party – JSC IFH RESMI and shares of Kazakhstani companies).

Fair value of the investments available for sale, traded on an active market is determined by applying quoted market prices (see Note 33).

Fair value measurements of unlisted shares with a carrying value of 90,768 thousand tenge (December 31, 2011: 114,940 thousand tenge) classified as held for sale are derived from valuation techniques in accordance with generally accepted pricing models based on discounted cash flow analysis (see Note 33).

Receivable from related party at amortized cost:

A description of the receivable from related party which amounted to nil at 31 December 2012 (2011: 2,947,033 thousand tenge) is contained in Note 32. This receivable was repaid during 2012.

18. OTHER CURRENT ASSETS

	2012	2011
Other receivables from related parties (see Note 32)	2,217,534	1,739,497
Receivables from employees	188,111	185,679
Prepaid expenses	58,303	76,573
Other taxes receivable	43,649	63,201
VAT receivable	3	17,197
Other receivables	38,581	211,050
Less: Provision for doubtful debts	(261,466)	(122,544)
	2,284,715	2,170,653

At December 31, 2012 and 2011, other current assets were denominated in tenge.

19. BANK DEPOSITS

	2012	2011
Non-current		
Deposits in JSC BTA Bank	150,740	148,400
Current		
Deposits in JSC BTA Bank	1,347	1,430
	152,087	149,830

In 2009, the Group placed a deposit of 1,000 thousand US Dollars in JSC BTA Bank as collateral for a credit line established with that bank. The maturity date of the deposit is June 2014 (see Note 24). Interest of 0.5% per annum is accrued on the deposit.

At December 31, 2012 and 2011 the Group placed deposits with no fixed terms in accordance with the rules of placing guarantee deposits by employers for attraction of foreign labor amounting to 1,347 thousand tenge and 1,430 thousand tenge, respectively, at an average interest rate of 1.0% per annum.

The deposits were denominated in the following currencies:

	2012	2011
In US Dollars	150,740	148,400
In Tenge	1,347	1,430
	152,087	149,830

20. CASH

	2012	2011
Cash in bank settlement accounts, tenge	254,175	1,217,602
Cash in foreign currency bank accounts	111,059	3,013,099
Cash in transit	90,391	18,158
Cash in other bank accounts, tenge	12,438	3,097
Petty cash, tenge	2,676	3,045
Petty cash, foreign currency	-	12,328
	470,739	4,267,329

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

	2012	2011
In Tenge	359,680	1,241,902
In Kyrgyz Soms	51,287	15,677
In Uzbek Sums	39,583	40,887
In US Dollars	18,444	2,968,815
In Euro	1,745	48
	470,739	4,267,329

21. ASSETS CLASSIFIED AS HELD FOR SALE

	2012	2011
Property located on 212, Raiymbek Ave., Almaty	1,271,950	1,271,950
Plant for production of soft drink "Lipton Ice Tea"	-	415,520
Other	2,893	-
	1,274,843	1,687,470

Property located on 212, Raiymbek Ave., Almaty

In November 2011 the Group decided to sell this property comprising office buildings, a tea packing plant and a finished goods warehouse. The Group has undertaken several actions to identify potential purchasers and has developed a detailed plan to move personnel and equipment. In 2012, the Group signed a non-binding letter of intent with a potential purchaser of this property which is a related party – Innova Investment LLP (see Note 32), in accordance with which Innova Investment LLP agreed to purchase this property at its cost. No impairment loss was recognized on reclassification of this complex as an asset held for sale nor at 31 December 2012.

"Lipton Ice Tea" production plant

In May 2009, the Group launched into operation a newly constructed production-logistics center and transferred its main production activities to that center. As a result, the Group decided to dispose of its plant where «Lipton Ice Tea» was previously produced. In 2012, the Group signed an agreement for sale of this property to an unrelated party for 229,286 thousand tenge, including VAT of 20,217 thousand tenge. The Group recognized an impairment loss of 206,451 thousand tenge in other expenses for the year ended December 31, 2012.

22. CAPITAL

The Company's registered and issued share capital at December 31, 2012 and 2011 is 2,787,696 thousand tenge. At December 31, 2012 and 2011 share capital was fully paid.

Issued share capital as at December 31, 2012 and 2011 consisted of 1,800,000 common shares with a par value of 1,000 tenge each, 1,642,092 common shares with a par value of 1 tenge each, 10,638 common shares at a par value of 3,634.5 tenge each and 789,500 preferred shares at a par value of 1,200 tenge each (see Note 27).

During 2012, the Group concluded agreements with several shareholders for the repurchase of 270,435 common shares for a total consideration of 616,500 thousand tenge (2011: 22,702 common shares for a total consideration of 45,379 thousand tenge).

At December 31, 2012 and 2011, the holders of ordinary shares of the Company were as follows:

Shareholder	Ownership		Number of shares		Amount	
	2012	2011	2012	2011	2012	2011
Mazhibayev K.K.	51.18%	0.98%	1,767,044	33,740	917,313	37,493
Koshkinbayv Y.Z.	28.50%	0.00%	983,953	-	386,933	-
LLP SUCCESSFUL INVESTMENT TRUST	7.85%	0.00%	271,198	-	250,178	-
Kaltayev T.S.	1.30%	1.30%	45,024	45,024	34,384	34,384
Bayazerov R.D.	0.71%	0.84%	24,653	28,953	26,778	27,345
Kanafin A.A	0.70%	0.70%	24,046	24,046	26,119	26,119
Agibaev A.E.	0.66%	0.66%	22,655	22,655	24,780	24,780
LLP SMART WAY LTD	0.60%	0.60%	20,882	20,882	20,882	20,882
Khalyapin A.V.	0.01%	0.01%	138	138	501	501
JSC Group of Companies RESMI	0.00%	86.55%	-	2,988,455	-	1,516,932
Zhanalinov A.S.	0.00%	4.13%	-	142,709	-	81,372
Ibrayev E.M.	0.00%	1.84%	-	63,438	-	34,900
Kiyambekov M.E.	0.00%	1.70%	-	58,672	-	29,708
Mudjtaba A.	0.00%	0.03%	-	1,316	-	1,316
Treasury shares	8.49%	0.66%	293,137	22,702	152,428	4,564
	100.00%	100.00%	3,452,730	3,452, 730	1,840,296	1,840,296

In 2010, the shareholders authorized for issue by the Company 1,200,000 preferred shares with cumulative mandatory annual dividends of 240 tenge per share, 789,500 shares were placed during 2010 at 1,200 tenge each. There were no issues of preferred shares during 2011 and 2012. Refer Note 27.

As at December 31, 2012, 750,000 preferred shares with a carrying value 900,000 thousand tenge were held by a related party of the Group (LLP Resmi "Pryamye investicii") and 39,500 preferred shares with a carrying value of 47,400 thousand tenge were held by entities within the Group and thus eliminated on consolidation. At 31 December, 2011 750,000 preferred shares with a carrying value 900,000 thousand tenge were held by APF "Respublika" JSC and 39,500 shares with a carrying value of 47,400 thousand tenge were held by entities within the Group and thus eliminated on consolidation (See Notes 27 and 32).

In 2012, the shareholders authorized dividends on ordinary shares based on the results of 2011 and 2010 of 356,746 thousand tenge and 566,094 thousand tenge, respectively.

23. RESERVES

	2012	2011
Revaluation of properties	1,188,618	1,173,417
Equity settled employee benefits reserve	944,599	944,599
Revaluation of investments	-	54,287
Foreign currency translation	1,080	(1,764)
	2,134,297	2,170,539

24. BORROWINGS

	2012	2011
Borrowings:		
Long-term loans – non-current portion	4,752,511	5,756,499
Long-term loans – current portion	3,397,151	2,754,464
Total long-term loans	8,149,662	8,510,963
Short-term bank loans	974,964	2,856,300
Total borrowings	9,124,626	11,367,263

At December 31, 2012 and 2011, the borrowings are subject to repayment as follows:

	2012	2011
On demand or within one year	4,372,115	5,610,764
In the second to fifth year inclusive	4,752,511	5,756,499
	9,124,626	11,367,263
Less: Amount due for settlement within 12 months (presented as current liabilities)	(4,372,115)	(5,610,764)
Amount due for settlement after 12 months (presented as non-current liabilities)	4,752,511	5,756,499

Loans:

Long-term loans

(a) In 2008, the Group entered into a loan agreement with Development Bank of Kazakhstan (hereinafter – "DBK") for the construction of buildings and infrastructure of a plant located in the Almaty region (hereinafter – "Greenfield" plant") in the amount of 10,000 thousand US Dollars for 5 years. In March 2010 the Group concluded an addendum with DBK, according to which the maturity period was increased to 7 years to March 5, 2015 and the grace period for commencement of repayment of the principal amount was prolonged to March 2011. In 2011, the interest rate on the loan was decreased from 12% to 8% per annum. In February 2012 the loan agreement was amended and the currency of the loan was changed from US Dollars to tenge at the rate of the National Bank of the Republic of Kazakhstan on the date of decision of 147.95 tenge per 1 US Dollar. Principal and interest are payable in semi-annual installments.

The loan is secured by land and equipment of the Group with a carrying value of 387,225 thousand tenge and 451,213 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 13), and inventory with an assessed value of 9,035 thousand US Dollars (equivalent in tenge as at December 31, 2012 and 2011: 1,361,904 thousand tenge and 1,340,794 thousand tenge, respectively) (see Note 15).

(b) In 2008, the Group signed two loan agreements with CATERPILLAR FINANCIAL SERVICES CORPORATION (hereinafter – "CATERPILLAR") for purchase of equipment of 1,867 thousand Euro and 247 thousand Euro, respectively, for 7 years. The loans are repayable in quarterly installments commencing in July 2009. The interest rate is EURIBOR+3% and interest is payable monthly.

Loans are secured by the purchased equipment with a carrying value of 417,000 thousand tenge and 433,711 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 13).

In 2008 the Group signed a further loan agreement with CATERPILLAR for purchase of equipment of 2,363 thousand Euro for 7 years. The loan is repayable in quarterly installments commencing in August 2009. The interest rate is EURIBOR+3% and interest is payable monthly.

The loan is secured by the purchased equipment with a carrying value of 495,678 thousand tenge and 504,045 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 13).

(c) In 2008 the Group entered into a loan facility agreement with the European Bank for Reconstruction and Development (hereinafter – "EBRD") for 50,000 thousand US Dollars for (1) the construction, purchase of equipment and placing into operation of, and the provision of working capital for "Greenfield" plant and (2) refinancing of existing borrowings of the Group up to 15,000 thousand US Dollars. The loan facility is repayable in 11 equal semiannual installments commencing after 2 years following the receipt of loan facility. The interest rate is LIBOR+3.5% and interest is payable semiannually.

The loan is secured by property, plant and equipment of the Group with a carrying value of 8,232,918 thousand tenge and 7,491,871 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 13), and inventory with an assessed value of not less than 13,000 thousand US Dollars (equivalent in tenge at December 31, 2012 and 2011: 1,959,620 thousand tenge and 1,929,200 thousand tenge, respectively (see Note 15), and property, plant and equipment of related parties with a carrying value of 2,634,888 thousand tenge and 2,631,083 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 32).

(d) In 2010, the Group performed a restructuring of the existing liability to JSC BTA Bank. Letters of credit classified as short-term liability were transferred to long-term liability of the Group. The currency of agreement was changed from US Dollars to tenge, and maturity was prolonged to June 2014. Interest rate was set as 16% per annum. In 2011, the interest rate for this loan was revised to 12% per annum. Additionally, under the Kazakhstan State program "Road map of the business 2020" the Group received a subsidy of interest rate of 5% per annum. Accordingly, the Group pays an effective interest rate of 7% per annum for this loan. On December 29, 2011 the Group received an additional loan of 1,000,000 thousand tenge on the same terms. The loan is repayable in monthly installments of principal amount and interest according to the repayment schedule.

At December 31, 2012 and 2011 the loan is secured by property plant and equipment of the Group with a carrying value of 360,810 thousand tenge and 529,609 thousand tenge, respectively (see Note 13), inventory with assessed value of not less than 165,880 thousand tenge and 350,369 thousand tenge, respectively (see Note 15) and guaranteed with bank deposit of 1,000 thousand US Dollars (equivalent in tenge at December 31, 2012 and 2011: 150,740 thousand tenge and 148,400 thousand tenge, respectively) (see Note 19).

(e) In 2011, the Group signed an agreement with JSC Islamic Bank Al Hilal for 1,500,000 thousand tenge with the purpose of refinancing existing borrowings of the Group and/or repayment of notes outstanding (refer Note 25). Under this agreement, on February 2, 2012 and March 27, 2012 the Group signed two loan agreements for 749,053 thousand tenge and 728,329 thousand tenge, respectively, for 5 years. The loans obtained under this agreement are repayable in 20 equal quarterly installments commencing on the date of the receipt of loan. The interest rate is 7.5% per annum and interest is payable quarterly.

In 2012 the Group signed a further agreement with JSC Islamic Bank Al Hilal for 198,000 thousand tenge for purchase of refrigerator equipment with maturity till May 2017. The interest rate is 7.5% and interest is payable quarterly.

At December 31, 2012 loans are secured by property plant and equipment of the Group with a carrying value of 756,784 thousand tenge.

(f) In 2012, the Group signed an agreement on opening credit line with JSC Kazinvestbank for 740,000 thousand tenge with maturity till March 2015 with a grace period for commencement of repayment of the principal amount of 1 year. The interest rate is 8%. Principal amount and interest is payable monthly.

At December 31, 2012 the loan is secured by property plant and equipment of the Group with a carrying value of 346,358 thousand tenge.

Short-term bank loans

As at December 31, 2012 short-term bank loans received by the Group were unsecured credit lines opened with JSC Alliance Bank (December 31, 2011: JSC Kazinvestbank and JSC Alliance Bank) with the purpose of replenishment of working capital. These loans are repayable within one year from the date of receipt of each tranche. In 2012, an additional agreement was signed with JSC Alliance Bank to extent credit line duration till April 2014 and to decrease interest rare from 12.5% to 7.2%-10.7% depending on the duration of tranche received.

The Group also holds trade financing lines opened in HSBC Bank Kazakhstan JSC and Sberbank SB JSC used to issue letters used as a means of financing primarily to acquire raw materials for production purposes and equipment. At December 31, 2012 and 2011 these trade finance lines are secured by property plant and equipment of the Group with a carrying value of 1,736,388 thousand tenge and 1,804,247 thousand tenge, respectively (see Note 13) and inventory with assessed value of not less than 2,995 thousand US Dollars (equivalent in tenge at December 31, 2012 and 2011: 451,385 thousand tenge and 444,378 thousand tenge, respectively) and 70,858 thousand tenge (see Note 15).

At December 31, 2012 and 2011, the weighted average interest rates of the Group's bank loans were 6.94% and 6.75% per annum, respectively.

As at December 31, borrowings were denominated in the following currencies:

	2012	2011
In Tenge	5,381,031	4,974,641
In US Dollars	3,433,950	5,914,584
In Euro	309,645	478,038
	9,124,626	11,367,263

As at December 31, 2012 and 2011, the amount of interest accrued, but not paid, included in borrowings was 56,813 thousand tenge and 71,665 thousand tenge, respectively.

25. NOTES PAYABLE

	Maturity date	2012	2011
KZPC1Y05B982	October 19,2014	1,515,400	1,515,500
KZPC1Y05B988	October 19,2012	-	945,710
		1,515,400	2,461,210
(Less)/including:			
Discount on issued notes		(129,087)	(251,502)
Accrued interest on issued notes		19,074	6,931
		1,405,387	2,216,639

During 2012 the Group fully repaid the KZPC1Y05B988 notes payable. The number of KZPC1Y05B982 notes payable placed by the Group and outstanding as at December 31, 2012 was 2,000,000 notes, of which 484,600 notes amounting to 458,108 thousand tenge were placed within the Group (2011: Out of 3,500,000 notes payable 1,038,790 notes amount to 943,390 thousand tenge), and were eliminated on consolidation.

As at December 31, 2012 and 2011 the average interest rate on the Group's notes payable was 8%. Interest is paid each 6 months.

Notes payable are to be repaid as follows:

	2012	2011
On demand or within one year	19,074	901,287
In the second to fifth year inclusive	1,386,313	1,315,352
	1,405,387	2,216,639
Less: Amount due for settlement within 12 months (presented as current liabilities)	(19,074)	(901,287)
Amount due for settlement after 12 months (presented as non-current liabilities)	1,386,313	1,315,352

At December 31, 2012 and 2011, notes payable were denominated in tenge.

26. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease some of its fixtures and equipment under finance leases. The average lease term is five years. For the years ended December 31, 2012 and 2011, the average effective borrowing rates were 3.28% and 4.50%, respectively. Interest rates are fixed as at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All such lease obligations are denominated in Euro and tenge.

Management has assessed the fair value of the equipment obtained under finance lease agreements as not being materially different from its carrying value.

The Group's finance lease obligations are secured by the lessors' title for the leased assets.

At December 31, 2012 and 2011, obligations under finance leases were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
Amounts payable under finance leases				
Within one year	394,160	430,056	380,244	414,859
In the second to fifth years, inclusive	365,595	666,468	348,125	632,854
More than five years	4,259	8,884	4,075	8,150
	764,014	1,105,408	732,444	1,055,863
Less: future finance charges	(31,570)	(49,545)		
Present value of lease obligations	732,444	1,055,863	732,444	1,055,863
Less: Amount due for settlement within 12 months (presented as current liabilities)			(380,244)	(414,859)
Amount due for settlement after 12 months (presented as non-current liabilities)			352,200	641,004

Details of the major lease obligations are set out below:

Tetra Laval Credit AB (hereinafter referred to as "Tetra Laval")

In 2005, the Group executed a finance lease agreement for juice processing and bottling equipment in the amount of 710 thousand Euro. The finance lease agreement is due to expire five years from the commissioning date of May 5, 2007. The interest rate stated in the agreement is the six month LIBOR+5.643% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 142 thousand Euro, while 533 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 35 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier. This liability was fully extinguished by December 31, 2012.

In 2006, the Group executed a finance lease agreement for juice processing and bottling equipment in the amount of 1,631 thousand Euro. The finance lease agreement is due to expire seven years from the commissioning date of December 1, 2007. The interest rate stated in the agreement is the three month LIBOR+3.00% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 163 thousand Euro, while 1,386 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 82 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier.

In 2007, the Group executed a finance lease agreement for juice processing and bottling equipment in the amount of 2,099 thousand Euro. The finance lease agreement is due to expire six years from the commissioning date of November 30, 2008. The interest rate stated in the agreement is the three month LIBOR+2.25% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 210 thousand Euro, while 1,889 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 105 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier.

In 2007, the Group executed a finance lease agreement for juice processing and bottling equipment in the amount of 6,169 thousand Euro. The finance lease agreement is due to expire six years from the date the equipment was delivered to the customs station in Kazakhstan, December 31, 2009. The interest rate stated in the agreement is the three month LIBOR+2.25% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 617 thousand Euro, while 5,244 thousand Euro is paid in quarterly installments throughout the lease term and final payment of 308 thousand Euro – upon the expiry of the lease term. In accordance with the lease agreement the lease payments are made on the principal amounts due and at the interest rate determined in accordance with the abovementioned rate as at the date of invoice issued by the supplier.

At the end of each lease term Tetra Laval grants the lessee the opportunity to acquire the relevant assets under the agreement upon the terms of transfer of ownership of the leased assets. The Group is required to notify the lessor of its intention to acquire the leased assets, in writing, within ninety days prior to the expiry of the lease term or any other term as is agreed as and between the parties. If the parties do not agree on the terms of acquisition by the expiry date of the lease agreement, the right of acquisition automatically expires.

JSC Kazagrofinance

In 2011, the Group executed a finance lease agreement for 38,035 thousand tenge for 4 vehicles for 7 years. The interest rate stated in the agreement is 9% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 9,889 thousand tenge with 28,146 thousand tenge paid by semiannual installments during the lease term.

JSC Islamic Bank Al Hilal

In 2011, the Group executed a finance lease agreement for 54,925 thousand tenge for 10 vehicles for 4 years. The interest rate stated in the agreement is 7.5% per annum. In accordance with the terms of the lease, the initial payment for the equipment was 1,144 thousand tenge with 53,781 thousand tenge paid by monthly installments during the lease term. On March 28, 2013 the Group fully extinguished the residual amount.

27. PREFERRED SHARES LIABILITIES

In 2010, the shareholders authorized for issue by the Company of 1,200,000 preferred shares with cumulative annual mandatory dividends of 240 tenge per share. 789,500 shares were issued during 2010 at 1,200 tenge each. There were no issues of preferred shares in 2012 and 2011. Discounted cash flows of cumulative mandatory annual dividends represent preferred shares liabilities.

As at December 31, 2012 and 2011 the accrued guaranteed dividends amounted to 180, 000 thousand tenge and were included in finance expenses (see Note 9).

28. ACCOUNTS PAYABLE

	2012	2011
Raw materials	2,552,964	2,544,074
Services	1,199,312	503,182
Packing materials	942,977	1,187,143
Property, plant and equipment	156,974	149,073
Goods	10,315	48,490
Current portion of long-term accounts payable for equipment	434,640	435,519
	5,297,182	4,867,481

Long-term accounts payable for equipment represents amounts due for assets acquired with payment deferred in average from 5 to 7 years. The Group revalued this payable to fair value on the date of inception, which is estimated to be the amount of discounted future payments at rate of 7.69%, which was the prevailing market interest rate for similar financial liabilities.

Long-term accounts payable for equipment are subject to repayment as follows:

	2012	2011
On demand or within one year	434,640	435,519
1-2 years	514,289	447,124
3-5 years	81,925	510,932
Later than 5 years	-	36,230
	1,030,854	1,429,805
Less: Amount due for settlement within 12 months (presented in current liabilities)	(434,640)	(435,519)
Non-current payables for acquisition of equipment	596,214	994,286

At December 31, accounts payable were denominated in the following currencies:

	2012	2011
In US Dollars	2,570,301	1,864,290
In Tenge	1,636,620	2,123,047
In Euro	1,143,795	1,852,560
In Kyrgyz Soms	494,108	3,482
In Russian Ruble	24,793	12,585
In Uzbek Sums	23,779	5,803
	5,893,396	5,861,767

29. TAXES PAYABLE

	2012	2011
Value added tax	520,019	547,398
Personal income tax	29,067	20,234
Social tax	12,350	9,889
Other taxes	2,216	24,601
	563,652	602,122

30. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group determines operational segments based on internal reports on components of the Group that are regularly monitored by key management responsible for decision making on operational activity for the purpose of allocation of resources to segments and assessment of operational results. The Group's reportable segments are as follows:

a) Production, distribution and sale of beverages under the Group's own brand name, including the juices "Gracio", "Da-Da", "Nectar Solnechniy", juice-containing drink "DaDa Day", water "A'SU" and energetic drink "Yeti";
b) Production, distribution and sale of milk under the Group's own brand name "Moye"
c) Production, distribution and sale of other products with the Group's own brand name, including "Piala" tea and chips "Grizli";
d) Production, distribution and sale of products with franchised trade marks, including carbonated soft drinks "Pepsi", "Mirinda", "Seven-Up", "Lipton Ice Tea" and "AquaFina";
e) Trading operations, including sale and distribution of other companies' branded products.

Information regarding the Group's reportable segments is presented below.

	Own brands: beverages	Own brands: milk	Own brands: other	Franchise	Trading	Consolidated
Year ended December 31, 2012:						
Revenue	11,448,154	4,525,583	9,483,312	9,494,419	-	34,951,468
Profit before income tax	807,596	210,676	1,406,429	344,939	-	2,769,640
Income tax expense	(196,503)	(77,680)	(162,777)	(162,960)	-	(599,928)
Profit for the year	611,093	132,996	1,243,652	181,971	-	2,169,712
Depreciation and amortization	464,562	182,662	208,404	373,301	-	1,228,929
Acquisition of property, plant and equipment and intangible assets	362,997	107,423	178,711	119,997	-	769,128
Year ended December 31, 2011:						
Revenue	9,480,255	4,382,767	9,602,990	7,471,107	13,239	30,950,358
Profit/(loss) before income tax	799,662	181,041	1,128,691	(394,343)	-	1,715,051
Income tax benefit/(expense)	(182,119)	(84,195)	(184,731)	(143,523)	-	(594,568)
Profit for the year	617,543	96,847	943,959	(537,866)	-	1,120,483
Depreciation and amortization	448,808	125,789	254,391	402,092	-	1,231,080
Acquisition of property, plant and equipment and intangible assets	166,139	397,831	144,478	123,629	-	832,077

Revenue reported above represents revenue generated from third parties. There were no inter-segment sales during the years ended December 31, 2012 and 2011. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment. This is the measure reported to the operating decision makers for the purposes of resource allocation and assessment of segment performance.

	Own brands: beverages	Own brands: milk	Own brands: other	Franchise	Trading	Consolidated
As at December 31, 2012:						
Segment assets	14,685,772	2,203,208	2,398,886	10,391,646	-	29,679,512
Deferred income tax assets	-	-	-	-	-	-
Total assets	14,685,772	2,203,208	2,398,886	10,391,646	-	29,679,512
Segment liabilities	8,826,260	971,640	2,032,507	7,321,069	-	19,151,476
Deferred income tax liabilities	234,109	92,545	193,926	194,155	-	714,735
Total liabilities	9,060,369	1,064,185	2,226,433	7,515,224	-	19,866,211
As at December 31, 2011:						
Segment assets	15,843,765	2,659,656	4,575,903	11,140,882	-	34,220,206
Deferred income tax assets	-	-	-	-	-	-
Total assets	15,843,765	2,659,656	4,575,903	11,140,882	-	34,220,206
Segment liabilities	10,426,286	2,058,357	3,515,369	9,241,234	-	25,241,246
Deferred income tax liabilities	12,486	5,772	12,665	9,840	-	40,763
Total liabilities	10,438,772	2,064,129	3,528,034	9,251,074	-	25,282,009

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments. General corporate assets and assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Revenue of the Group from sales to external customers by countries is presented below:

	Revenue from sales to external customers	
	2012	**2011**
Republic of Kazakhstan	31,397,279	28,128,487
Kyrgyz Republic	2,566,587	2,146,085
Russia	404,216	129,941
Turkmenistan	382,184	405,971
Tadzhikistan	158,895	124,217
Mongolia	42,307	15,567
	34,951,468	30,950,358

31. EMPLOYEE BENEFITS

In accordance with the Law of the Republic of Kazakhstan "On Pensions in the Republic of Kazakhstan" effective January 1, 1998, and replacing the previous unified system of pension provisioning, employees have the right to receive guaranteed pension benefits provided they have recorded working time from January 1, 1998 in proportion to the historical data. They also have the right to receive pension payments from savings pension funds generated from individual pension savings accounts provided by compulsory pension contributions amounting to 10% of their salary.

In accordance with the legislative requirements of the Republic of Kazakhstan, the Group pays an amount equivalent to 10% of each employee's wage into an employee pension fund. However, from January 1, 2012 in accordance with Kazakhstan legislation, the contribution per employee should not exceed 130,793 tenge per month. Prior to this date, the maximum monthly contribution per employee was 119,972 tenge. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other payroll costs in profit or loss.

At December 31, 2012 and 2011, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

32. RELATED PARTIES

The Group's related parties include the companies controlled by and associated with Mazhibayev K.K. and Koshkinbayev Y.Z., being the major shareholders of the Company – see Note 22. For the year ended December 31, 2011 and to October 2012 Group of Companies RESMI JSC (also owned by Mazhibayev K.K. and Koshkinbayev Y.Z.) was the parent company of the Group ("the parent company").

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and related parties are disclosed below.

Transactions with related parties include:

- sales of carbonated soft drinks, natural juices, tea;
- sales/purchase of other inventories, property, plant and equipment and investments; and
- loans and borrowings.

Trading transactions:

	Sales		Purchases	
	Year ended December 31, 2012	**Year ended December 31, 2011**	**Year ended December 31, 2012**	**Year ended December 31, 2011**
Parent company	3,923	1,356	236,755	195,780
Entities under common control	143,189	3,289	36,172	11,951

Other transactions:

Receivables at amortized cost:

In 2007, the Group entered into an agreement with related parties to transfer receivables due from the parent company of 2,790,110 thousand tenge in exchange for 51,317 common shares of related party JSC AIFRI Innova Capital Partners (the "AIFRI Innova Shares") with a total estimated value of 2,790,110 thousand tenge. On the same date, the Group also entered into a put and call option agreement with a related party LLP Resmi Commerce (subsequently re-named as JSC Group of Companies RESMI) for these shares for a period of 3 years, to December 27, 2010, which was subsequently prolonged by additional agreements.

In according with this option agreement, the total price for the purchase/sale of the shares is determined based upon 2,790,110 thousand tenge indexed by an increase of 12% per annum in the period from 2007 to 2010 and 5% in the period from 2011 to 2012. These transactions were made for the purpose of securitization of the receivables due from the parent company. The Group classified this investment as an amount receivable from a related party, as this reflected the substance of these arrangements and recorded the asset at amortized cost.

In 2011, JSC Group of Companies RESMI repurchased 12,875 of the AIFRI Innova shares for 981,187 thousand tenge. In 2012, the Group concluded a new agreement on repurchase of the AIFRI Innova shares, according to which in July 2012 JSC Group of Companies RESMI repurchased the rest 38,442 shares for total amount of 2,996,383 thousand tenge. As at December 31, 2012 liabilities on this agreement were fully repaid by JSC Group of Companies RESMI.

Interest of 49,351 thousand tenge and 133,671 thousand tenge was accrued in 2012 and 2011, respectively, in accordance with the terms of the option agreement and recorded in profit or loss as investment income (see Note 10).

As at December 31, 2012 and 2011, the fair value of the assets pledged as security for the receivable from related party was:

	2012		2011	
	Book value of receivables	**Fair value of the pledge**	**Book value of receivables**	**Fair value of the pledge**
Shares of JSC AIFRI Innova Capital Partners	-	-	2,947,033	1,818,926

Investments held for trading

As at December 31, 2012 investments held for trading included investments in securities of related parties, being 222,198,200 notes issued by the parent company with a carrying value of 2,200,945 thousand tenge and 92 common shares of JSC Velikaya stena with a carrying value of 19,504 thousand tenge (December 31, 2011: 13,640,000 notes issued by the parent company with a carrying value of 139,177 thousand tenge, and 92 common shares of JSC Velikaya stena with a carrying value of 10,948 thousand tenge) (See Note 17).

Notes issued by the parent company are traded on the Kazakhstan Stock Exchange, Notes bear interest at a rate of 12% per annum and mature on December 21, 2013. Interest is paid each 6 months.

Available for sale investments

As at December 31, 2011 available for sale investments included shares of mutual funds, managed by a related party – JSC IFH Resmi with a carrying value 136,287 thousand tenge. These investments were fully sold during 2012 (see Note 17).

Other receivables

As at December 31, 2012 and 2011 other receivables from related parties included short-term interest free loans provided by the Group to its parent company and other related parties with repayment periods from 1 month to 1 year amounting to 1,839,695 thousand tenge (December 31, 2011: 277,965 thousand tenge).

Loans payable

In 2011, the Group received a loan from the parent company of 4,291,540 thousand tenge. The purpose of this loan was for a potential business acquisition. This transaction did not proceed and prior to December 31, 2011 the Group repaid 1,460,299 thousand tenge. As at December 31, 2011 the terms of repayment of the outstanding balance of the loan were 700,000 thousand tenge due on January 31, 2013 and 2,131,241 thousand tenge due by December 31, 2012. As at December 31, 2011 the long-term portion of this loan was shown at amortized discounted value of 630,904 thousand tenge.

The loan was fully repaid by the Group in 2012.

Notes payable

As at December 31, 2012 and 2011 notes payable in the amount of nil and 210 thousand tenge were placed at related party.

Other financial liabilities

As at December 31, 2012 preferred shares issued by the Company with a carrying value of 900,000 thousand tenge were held by a related party of the Group, LLP Resmi "Pryamye investicii" (at 31 December, 2011 preferred shares with a carrying value of 900,000 thousand tenge were held by JSC APF "Respublika") (see Note 27).

The following balances were outstanding at the end of the reporting period as a result of the above transactions:

	Amounts owed by related parties		Amounts owed to related parties	
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2012	As at December 31, 2011
Parent company:				
Receivables at amortized cost (see Note 17)	-	2,947,033	-	-
Other receivables (see Note 18), including:				
- Receivable from sale of JSC AIFRI Capital Partners shares	-	281,173	-	-
- Trading and other operations	-	507,811	118,980	-
Loan payable	-	-	-	2,762,145
Other payables	-	-	-	210
Entities under common control:				
Other receivables (see Note 18), including:				
-Due from broker	28,960	449,021	-	-
- Loan provided	1,839,695	277,965	-	-
- Trading and other operations	348,879	223,527	-	-

Outstanding amounts due to/from related parties will be settled by cash transactions. No expense has been recognized in the reporting period for bad debts in respect of amounts owed by related parties.

Other disclosures

In 2012, the Group signed a non-binding letter of intent with a potential purchaser of property, related party – Innova LLP, in accordance with which, Innova Investment LLP agreed to purchase this property at its cost, The transaction is expected to be settled by July 2013 (see Note 21).

The loan obtained by the Group from EBRD is partly secured by property, plant and equipment of related parties with a carrying value of 2,634,888 thousand tenge and 2,631,083 thousand tenge as at December 31, 2012 and 2011, respectively (see Note 24).

Compensation of key management personnel

Key management compensation is set at shareholders' meetings according to human resource policies, staff schedules, individual labor agreements, shareholders' resolutions and bonus accrual orders.

Total compensation paid to the Group's key management personnel during the years ended December 31, 2012 and 2011 amounted to short-term benefits of 264,933 thousand tenge and 219,329 thousand tenge, respectively.

33. FINANCIAL INSTRUMENTS

Capital management

Businesses in fast-moving consumer goods and food packaging industries are subject to risks related to rapid changes in markets and customer demands. It is the Group's policy to maintain a strong financial position as this provides the best balance of risk and reward for the shareholders. The Board of Directors reviews the Group's capital structure regularly taking into account available cash balances and credit lines, trends in markets and investment opportunities generally, but especially in the development of new products to enhance the existing portfolio, and the development of new distribution channels and geographical markets. The Group's overall strategy remains unchanged from 2011.

Significant accounting policies

Information regarding significant accounting policies and accepted methods, including recognition criteria, estimation basis, and basis for gain and losses recognition related to each class of financial assets, financial liabilities, and securities are disclosed in Note 3.

General risk management principles

The Group's overall risk management concept is based on visibility of the key risks preventing the Group from reaching its business objectives. This covers all risks areas; strategic, operational, financial, and hazard risks. The Group's risk management is a systematic and pro-active process to analyze, review and manage all opportunities, threats and risks related to the Group' objectives.

The principles documented in the Group's Risk Policy and accepted by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business unit or function owner is also the risk owner.

Key risks are reported to business unit and Group level management to create assurance on business risks and to enable prioritization of risk management implementation in the Group. In addition to general principles there are specific risk management policies covering, for example, treasury and customer finance risks.

Categories of financial instruments

As at December 31, financial instruments were as follows:

	2012	2011
Financial assets		
Investments held for trading	2,226,336	246,955
Available for sale investments	90,768	251,227
Loans and receivables	3,259,346	5,883,222
Cash	470,739	4,267,329
Bank deposits	152,087	149,830
Financial liabilities		
Accounts payable	5,893,396	5,861,767
Loans from related parties	-	2,762,145
Borrowings	9,124,626	11,367,263
Finance lease obligations	732,444	1,055,863
Notes payable	1,405,387	2,216,639
Other financial liabilities	1,080,000	1,080,000
Other accounts payable and accrued liabilities (excluding advances received)	333,625	260,948

Financial risk management objectives

The key financial targets for the Group are growth, profitability, operational efficiency and a strong balance. The objectives for the Group's treasury function are twofold: to guarantee cost efficient funding for the Group at all times and to identify, evaluate and hedge financial risks in close cooperation with the business groups. There is a strong focus in the Group on creating shareholder value. The Treasury function supports this aim by minimizing the adverse effects caused by fluctuations in the financial markets on the profitability of the underlying businesses and by managing the balance sheet structure of the Group.

Treasury policy provides principles for overall financial risk management and determines the allocation of responsibilities for financial risk management in the Group. Operating policies cover specific areas such as foreign currency risk, interest rate risk as well as liquidity and credit risk. The Group has detailed Standard Operating Procedures supplementing Treasury Policy in financial risk management related issues.

The treasury function reports quarterly to the Group's Crisis Management Committee, a body that monitors risks and policies implemented to mitigate risk exposure. The Crisis Management Committee comprises various members of the Executive Board, directors and representatives from Finance and Human Resources Functions. The committee meets once a year but in circumstances of rapidly changing business conditions, the main risks are monitored and controlled monthly or weekly. Risks under consideration include internal and external factors which are evaluated according to the risk map showing gravity and probability of occurrence. Each risk is assigned to a responsible person for monitoring. The Risk Management System has a clear algorithm for execution and communication.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies, which lead to exposures to exchange rate fluctuations.

As at December 31, 2012 and 2011, the carrying value of monetary assets and liabilities of the Group was as follows:

	Assets		Liabilities	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
In US Dollars	169,184	3,117,215	6,004,251	7,778,874
In Euro	1,745	48	2,106,454	3,358,316
In Kyrgyz Soms	66,564	25,685	494,108	3,482
In Uzbek Sums	39,583	40,887	23,779	5,803
In Russian Ruble	-	-	24,793	12,585

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in tenge against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the tenge strengthens 10% against the relevant currency. For a 10% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Impact of US Dollars (i)		Impact of Euro (ii)	
	2012	**2011**	**2012**	**2011**
Profit/loss	583,507	466,166	210,471	335,827

(i) This is mainly attributable to the exposure on the Group's outstanding US Dollars denominated borrowings as at year end.

(ii) This is mainly attributable to the exposure the Group's outstanding Euro denominated borrowings and finance lease liabilities as at year end.

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items (i.e. price risk) or through changes in interest income or expenses (i.e. re-investment risk). Interest rate risk mainly arises through interest-bearing liabilities and assets. Estimated future changes in cash flows and balance sheet structure also expose the Group to interest rate risk.

Treasury is responsible for monitoring and managing the interest rate exposure of the Group. Due to the current balance sheet structure of the Group, emphasis is placed on managing the interest rate risk in relation to borrowings. The interest payments on the majority of loans are represented as considerations calculated as LIBOR+ margin, and it allows the Group using low LIBOR rate due to volatility on global financial markets. The Group is considering the use of interest rate swaps in future periods to fix current low level of LIBOR rate by converting floating rate debt into fixed rate debt.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the date of consolidated statement of financial position. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the date of the statement of financial position was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2012 would decrease/increase by 12,490 thousand tenge (in 2011: decrease/increase by 13,654 thousand tenge). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Equity price risk

The Group has certain strategic minority investments in non-publicly listed companies. These investments are classified as available-for-sale and held for trading. The fair value of the equity investments at December 31, 2012 was 110,272 thousand tenge (December 31, 2011: 289,451 thousand tenge).

There are currently no outstanding derivative financial instruments designated as hedges of these equity investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If equity prices had been 5% higher/lower:

- net profit for the year ended December 31, 2012 would have increased/decreased by 975 thousand tenge (in 2011 by 1,911 thousand tenge), as a result of changes in fair value of investments held for trading; and
- other equity reserves would increase/decrease by 4,538 thousand tenge (2011: increase/decrease by 7,506 thousand tenge) for the Group as a result of the changes in fair value of available-for-sale equity.

The Group's sensitivity to equity prices has not changed significantly from the prior year.

Credit risks

Customer Finance Credit Risk

The Group has maintained a financing policy aimed at close cooperation with banks, financial institutions and other agencies to support distributors and selected customers in their financing of working capital investments, mainly for purchase of the Group's products. The Group monitors closely the extent of the borrowings in relation to the turnover of the key customers.

Credit risks related to customer financing are systematically analyzed, monitored and managed by the Group's Credit Manager, reporting to the Head of Financial Control. Significant changes to credit risks are approved by the Group's Credit Committee along principles defined in the Company's credit policy and according to the credit approval process. The Credit Committee consists of the Head of Financial Control, Head of Group Treasury and Credit Manager.

At December 31, 2012 customer finance credit risk exposure totaled 1,087,231 thousand tenge (December 31, 2011: 933,366 thousand tenge).

Financial credit risk

Financial instruments contain an element of risk that its counterparties would be unable to meet their obligations. This risk is measured and monitored by the treasury function. The Group minimizes financial credit risk by limiting its counterparties to a sufficient number of major banks and financial institutions.

Direct credit risk represents the risk of loss resulting from counterparties' default in relation to the items of the consolidated statement of financial position. Decision on investments to the fixed income instruments and short-term debt securities are based on strict creditworthiness criteria. The outstanding investments are also constantly monitored by the treasury function. The Group does not expect the counterparties to default given their credit quality. The carrying amount of financial assets recognized in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

Liquidity risk

The Group guarantees sufficient liquidity at all times by efficient cash management and by investing in liquid interest bearing securities. Due to the dynamic nature of the underlying business, Treasury also aims at maintaining flexibility in funding by keeping credit lines available. The credit facilities are intended to be used for working capital and capital investment funding purposes.

The Group's international creditworthiness facilitates the efficient use of international capital and loan markets. Due to the fact that RG Brands has recently delivered on financial targets, including a reduction in leverage in last 12 months and the maintenance of 1) an adjusted EBITA margin and 2) funds from operations in the past 18 months the ratings of RG Brands from the Moody's credit rating agency has been upgraded and at December 31, 2012 was B2/stable (December 31, 2011: B3/stable).

Table on liquidity risk

The following table presents contractual maturity of non-derivative financial assets and liabilities of the Group based on the undiscounted cash flows of financial assets and liabilities (both interest and principal cash flows) based on the earliest date on which a) the Group expect to receive payments; and b) the Group can be required to pay.

2012	Interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	1,076,586	-	-	1,076,586
Other financial assets	0%-12%	2,583,742	-	-	2,583,742
Other current assets	-	2,182,760	-	-	2,182,760
Deposits	0.5%	1,360	153,001	-	154,362
Cash	-	470,739	-	-	470,739
		6,315,187	153,001	-	6,468,189
Financial liabilities:					
Accounts payable	-	5,297,182	596,214	-	5,893,396
Loans	3.9%-12.5%	4,971,741	5,211,037	-	10,182,778
Finance lease obligations	4.5%	394,160	365,595	4,259	764,014
Notes payable	8.0%	20,299	1,585,942	-	1,606,241
Other accounts payable and accrued liabilities	-	333,625	-	-	333,625
Other financial liabilities	-	180,000	-	900,000	1,080,000
		11,197,007	7,758,788	904,259	19,860,054

2011	Interest rate	Within 1 year	1-5 years	Over 5 years	Total
Financial assets:					
Trade accounts receivable	-	922,507	-	-	922,507
Other financial assets	5%	3,390,852	194,673	-	3,585,525
Other current assets	-	2,013,682	-	-	2,013,682
Deposits	0.5%	1,444	150,626	-	152,070
Cash	-	4,267,329	-	-	4,267,329
		10,595,814	345,299	-	10,941,113
Financial liabilities:					
Accounts payable	-	4,867,480	958,056	36,231	5,861,767
Loans from related parties	-	2,131,241	700,000	-	2,831,241
Loans	3.9%-12.5%	6,205,769	6,261,728	-	12,467,497
Finance lease obligations	4.5%	430,056	666,468	8,884	1,105,408
Notes payable	8.0%	959,167	1,504,763	-	2,463,930
Other accounts payable and accrued liabilities	-	260,948	-	-	260,948
Other financial liabilities	-	180,000	-	900,000	1,080,000
		15,034,661	10,091,015	945,115	26,070,791

The Group has access to funds, as described below, amounting to 1,826,000 thousand tenge as at December 31, 2012 (December 31, 2011: 1,607,378 thousand tenge).

Unsecured short-term borrowings with different maturities till 2013	
Amount used	970,000
Amount unused	530,000
	1,500,000
Secured long-term borrowings with different maturities till 2017	
Amount used	6,543,732
Amount unused	1,296,000
	7,839,732

As at December 31, 2012 and 2011 the Group also had authorized for issue but not placed 410,500 preferred shares at 1,200 tenge each at total amount of 492,600 thousand tenge.

Fair value of financial instruments carried at amortized cost

The management believes that the carrying value of financial assets and liabilities carried at amortized cost in the financial statements approximates their fair value.

Valuation techniques and assumptions used applied for the purposes of measuring fair value

Available-for-sale and held for trading investments are carried at fair value. The basis for estimation of fair value of such financial instruments is the estimated price at which the instrument could be exchanged between knowledgeable and willing parties except for enforced sale or sale upon liquidation. If the assets are sold on an active market, the market price is used to determine the fair value of the instrument. If market variables used for price determination are not available or cannot be defined on the basis of observable market quotations, the fair value shall be determined based on other observable market data and valuation models which involve mathematical methods based on generally accepted financial theories. Pricing models account for the characteristics of both the instruments themselves, and the market variables-based parameters of estimates such as interest rates, volatility, exchange rates and credit ratings of the counterparty. If market variables used for price determination are not observable, the management shall make judgments in relation to the most reliable estimate of the variable for determination of a reasonable expected price which would be determined on the market. In order to apply such a judgment the management uses various instruments such as comparative observable data, historical data and extrapolation. The best basis for the fair value of the financial instrument upon initial recognition is a transaction price confirmed by comparative available market data. The difference between the transaction price and the cost determined using such an estimate is not recognized in the consolidated statement of comprehensive income upon initial recognition. Subsequently profit or loss is recognized within the factor considered reasonable in determination of the price by the market participants.

Measurement of financial assets carried at fair value

To determine the fair value of the investments available for sale and held for sale, except for certain unlisted shares amounted to 90,768 thousand tenge, the Group applied market value as these investments are quoted on an active market, and recognized loss of 1,794 thousand tenge in other comprehensive loss and income of 15,788 thousand tenge in 2012 profit or loss within investment income (see Note 10).

Fair value measurements of unlisted shares classified as available for sale are derived from valuation techniques in accordance with generally accepted pricing models based on discounted cash flow analysis, which includes some assumptions that are not supportable by observable market prices or rates.

Hazard risk

The Group strives to ensure that all financial, reputation, and other losses of the Group and its customers are minimized through preventive risk management measures or purchase of insurance. Insurance is purchased for risks which cannot be internally managed. The Group's Economic Security function's objective is to ensure that Group's hazard risks, whether related to physical assets (e.g. buildings) or intellectual assets (e.g. "RG Brands" brand) or potential liabilities (e.g. product liability) are properly insured.

34. COMMITMENTS AND CONTINGENCIES

Operating environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan's economy is particularly sensitive to the price of oil and gas on the world market.

Tax and regulatory environment

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

The tax period remains open for audit by tax authorities within five calendar years; however, in certain conditions, the tax period may be extended. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of tax audits. The Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation.

Compliance with loan covenants

Some of the Group's loan agreements are subject to covenant clauses, whereby the Group is required to meet certain key performance indicators. The management believes that the Group complied with all covenants of loan agreements with lenders as at December 31, 2012 and 2011.

Legal issues

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which have had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's consolidated financial position or consolidated operating results.

35. SIGNIFICANT NON CASH TRANSACTIONS

Receivables from related party of 1,077,206 thousand tenge during 2012 was offset with purchase of notes issued by the parent company. There were no similar transactions in 2011.

Repurchase of shares during 2012 for the amount of 199,843 was offset against receivables from shareholders.

In 2011, the Group received a loan from the parent company of 4,291,540 thousand tenge of which 447,868 thousand tenge was directly settled with receivables from JSC "IFD "RESMI".

36. SUBSEQUENT EVENTS

In February 2013 the Group concluded an agreement with JSC DB Alfa-Bank for the opening of a credit facility of 1,500,000 thousand tenge with at an interest rate 8% per annum. The facility is for a three year period and the funds are to be used for replenishment of working capital.

In May 2013 the Group concluded a general agreement with Asian Development Bank for the opening of a credit facility of 40,200 thousand US Dollars. The facility is for a seven year period and the funds are to be used for acquisition of property, and refinancing of short term loans.

37. CHANGE IN CLASSIFICATION

Subsequent to the issuance of the consolidated financial statements for the year ended December 31, 2012, the Group decided to include in issued share capital (a) 750,000 issued preferred shares totaling 900,000 thousand tenge, which are reclassified in the financial statements as liabilities, as required by IFRS and (b) 39,500 issued preferred shares totaling 47,400 thousand tenge held within the Group, and which are eliminated on consolidation. Also, the Group changed the description of account "Other financial liabilities" to "Preferred shares liabilities" to provide a better understanding to users of the consolidated financial statements of nature of these liabilities.

The effect of these changes on the consolidated statement of financial position as at December 31, 2012 and 2011 are as follows (in thousand tenge):

Consolidated financial statements account	Note	As per previous financial statements	Change in classification	Reclassified balance
AS AT DECEMBER 31, 2012 AND 2011				
CAPITAL:				
Issued capital	22	1,840,196	947,400	2,787,696
Preferred shares, held within the Group	22	-	(47,400)	(47,400)
Preferred shares liabilities	27	-	(900,000)	(900,000)

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issue by the Group's management on June 12, 2013.