OJSC Atomredmetzoloto

Consolidated Financial Statements
for the year ended 31 December 2012
and Auditors' Report

Contents

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Auditors' Report

To the Shareholders and Board of Directors

Open Joint Stock Company "Atomredmetzoloto" (OJSC "ARMZ")

We have audited the accompanying consolidated financial statements of OJSC "Atomredmetzoloto" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for 2012, and notes, comprising 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 the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Audited entity. OJSC "Atomredmetzoloto" (OJSC "ARMZ")

Registered by the Moscow Registration Chamber on 02 August 2002, Registration 77 No. 007893992

Registered in the Unified State Register of Legal Entities on 02 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.48 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700043645.

22, Bolshoy Orovyanoy Pereulok, Moscow, Russia, 109004.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011,585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia", The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No 10301000804

Opinion

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

Altukhov K.V.

Director (power of attorney dated 01 October 2010 No. 24/10)

ZAO KPMG

31 May 2013

Moscow, Russian Federation

mln RUB	Note	2012	2011
ASSETS			
Property, plant and equipment	12	54,879	47,805
Intangible assets	13	68,709	77,395
Goodwill	13	28,052	40,638
Exploration and evaluation assets	14	8,069	5,735
Investments in associates	15	1,207	1,253
Other non-current assets	18	2,092	3,834
NON-CURRENT ASSETS		**163,008**	**176,660**
Inventories	19	13,130	14,398
Income tax receivable		937	770
Receivables and advances issued	20	11,529	8,154
Cash and cash equivalents	22	17,104	22,694
Other current assets	21	1,987	2,149
CURRENT ASSETS		**44,687**	**48,165**
TOTAL ASSETS		**207,695**	**224,825**
EQUITY			
Share capital	23	22,430	20,257
Share premium		56,962	53,963
Merger reserve		7,201	7,201
Translation reserve		(503)	5,851
Retained earnings		7,897	20,834
Equity attributable to shareholders of OJSC Atomredmetzoloto		**93,987**	**108,106**
Non-controlling interest		37,669	39,497
TOTAL EQUITY		**131,656**	**147,603**
LIABILITIES			
Loans and borrowings	24	32,947	39,595
Provisions	25	10,497	8,461
Deferred tax liabilities	17	14,447	15,038
Other payables	26	9	881
NON-CURRENT LIABILITIES		**57,900**	**63,975**
Loans and borrowings and current portion of non-current loans and borrowings	24	9,630	3,550
Payables and accruals	26	7,281	7,679
Income tax payable		52	470
Other taxes payable	26	1,176	1,548
CURRENT LIABILITIES		**18,139**	**13,247**
TOTAL LIABILITIES		**76,039**	**77,222**
TOTAL EQUITY AND LIABILITIES		**207,695**	**224,825**

T. G. Khachaturov
Acting General Director

24 May 2013

A. D. Pozdeyeva
Acting Chief Financial Officer

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9-69.

mln RUB	Note	2012	2011
Revenue	7	47,795	44,495
Cost of sales	8	(35,819)	(31,502)
Gross profit		**11,976**	**12,993**
Administrative and distribution expenses	9	(6,412)	(7,110)
Other expenses		(417)	(315)
Results from operating activities		**5,147**	**5,568**
Impairment losses	12-14	(10,987)	-
Finance income	10	561	2,000
Finance costs	10	(3,052)	(1,838)
Gain on acquisition of subsidiary	6	534	-
Share of loss of equity accounted investees	15	(4)	-
(Loss) / profit before income tax		**(7,801)**	**5,730**
Income tax expense	11	(1,429)	(2,530)
(Loss) / profit for the year		**(9,230)**	**3,200**
Other comprehensive (loss) / income, net of income tax			
Foreign currency translation differences		(8,464)	7,874
Hedging effect		185	(62)
Other comprehensive (loss) / income, net of income tax		**(8,279)**	**7,812**
Total comprehensive (loss) / income for the year		**(17,509)**	**11,012**
(Loss) / profit attributable to:			
Shareholders of OJSC Atomredmetzoloto		(9,240)	2,638
Non-controlling interest		10	562
(Loss) / profit for the year		**(9,230)**	**3,200**
Total comprehensive (loss) / income for the year attributable to:			
Shareholders of OJSC Atomredmetzoloto		(15,409)	7,992
Non-controlling interest		(2,100)	3,020
Total comprehensive (loss) / income for the year		**(17,509)**	**11,012**

T. G. Khachaturov
Acting General Director

A. D. Pozdeyeva
Acting Chief Financial Officer

24 May 2013

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9-69.

		Attributable to equity holders of OJSC Atomredmetzoloto							
mln RUB	**Note**	**Share capital**	**Share premium**	**Merger reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance as at 1 January 2011		20,257	48,704	7,201	435	18,378	94,975	30,267	125,242
Total comprehensive income for the year									
Profit for the year		-	-	-	-	2,638	2,638	562	3,200
Other comprehensive income									
Foreign currency translation differences		-	-	-	5,416	-	5,416	2,458	7,874
Hedging effect		-	-	-	-	(62)	(62)	-	(62)
Total other comprehensive income		-	-	-	5,416	(62)	5,354	2,458	7,812
Total comprehensive income for the year		-	-	-	5,416	2,576	7,992	3,020	11,012
Transactions with shareholders recorded directly in equity									
Dividends	23	-	-	-	-	(5)	(5)	-	(5)
Share issue	23	-	5,259	-	-	-	5,259	-	5,259
Total transactions with shareholders		-	5,259	-	-	(5)	5,254	-	5,254
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interest without a change in control		-	-	-	-	(115)	(115)	115	-
Stock options expense	23	-	-	-	-	-	-	3,937	3,937
Equity component of convertible debentures	23	-	-	-	-	-	-	2,158	2,158
Total transactions with shareholders		-	5,259	-	-	(120)	5,139	6,210	11,349
Balance at 31 December 2011		20,257	53,963	7,201	5,851	20,834	108,106	39,497	147,603
Total comprehensive loss for the year									
Loss for the year		-	-	-	-	(9,240)	(9,240)	10	(9,230)
Other comprehensive loss									
Foreign currency translation differences		-	-	-	(6,354)	-	(6,354)	(2,110)	(8,464)
Hedging effect		-	-	-	-	185	185	-	185
Total other comprehensive loss		-	-	-	(6,354)	185	(6,169)	(2,110)	(8,279)
Total comprehensive loss for the year		-	-	-	(6,354)	(9,055)	(15,409)	(2,100)	(17,509)
Prior period adjustments	23	-	-	-	-	(1,404)	(1,404)	(1,326)	(2,730)
Transactions with shareholders recorded directly in equity									
Dividends	23	-	-	-	-	(3)	(3)	-	(3)
Share issue	23	2,173	2,999	-	-	-	5,172	-	5,172
Total transactions with shareholders		2,173	2,999	-	-	(3)	5,169	-	5,169
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interest without a change in control	23	-	-	-	-	(327)	(327)	(737)	(1,064)
Disposal of non-controlling interests without a loss in control	23	-	-	-	-	(2,148)	(2,148)	2,148	-
Stock options expense	23	-	-	-	-	-	-	187	187
Total transactions with shareholders		-	-	-	-	(2,475)	(2,475)	1,598	(877)
Balance at 31 December 2012		22,430	56,962	7,201	(503)	7,897	93,987	37,669	131,656

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9-69.

mln RUB	Note	2012	2011
Cash flows from operating activities			
(Loss) / profit before income tax:		(7,801)	5,730
Adjustments for:			
Depreciation of property, plant and equipment	12	4,584	2,792
Amortisation of intangible assets	13	4,419	3,332
Impairment losses on receivables	9	32	170
Interest income	10	(504)	(963)
Interest expense	10	2,065	1,709
Impairment losses	12-14	10,987	-
Gain on acquisition of subsidiary	6	(534)	-
Other		(433)	295
Cash from operating activities before changes in working capital and provisions		**12,815**	**13,065**
Change in receivables and advances issued		(3,594)	(1,016)
Change in inventories		876	(3,881)
Change in employee benefits		(64)	(19)
Change in other non-current assets		1,053	263
Change in payables and accruals		(3,403)	3,683
Change in other taxes payable		230	252
Change in other non-current liabilities		-	(39)
Cash flows from operations before income taxes and interest paid		**7,913**	**12,308**
Income tax paid		(3,358)	(6,625)
Interest paid		(2,853)	(2,528)
Net cash from operating activities		**1,702**	**3,155**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(10,802)	(10,662)
Interest income received		514	308
Loans issued		(49,819)	(5,180)
Repayment of loans issued		50,749	4,019
Acquisition of exploration and evaluation assets		(2,280)	(290)
Acquisition of subsidiaries		(1,908)	(28,551)
Acquisition of associates		-	(577)
Net cash used in investing activities		**(13,546)**	**(40,933)**
Cash flows from financing activities			
Proceeds from borrowings		11,733	37,670
Repayment of borrowings		(9,617)	(25,619)
Proceeds from issue of share capital	23	5,172	5,259
Financial lease payments		(217)	(102)
Net cash from financing activities		**7,071**	**17,208**
Net decrease in cash and cash equivalents		**(4,773)**	**(20,570)**
Effect of exchange rate fluctuations		(817)	1,560
Change in restricted cash	22	**(26)**	**360**
Cash and cash equivalents at 1 January		**22,694**	**41,704**
Cash and cash equivalents at 31 December		**17,104**	**22,694**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9-69.

1. Background

(a) Organisation and operations

OJSC Atomredmetzoloto ("the Company") is a joint-stock company established in accordance with the laws of the Russian Federation (RF).

For the purposes of the present financial statements the Group consists of the Company and its subsidiaries.

As at 31 December 2012 and 2011 the Group's parent company was OJSC Company Atomic Energy Power Corporation (OJSC Atomenergoprom), which owned 80.48 and 79.98 percent of the Company's shares at the respective dates. The increase in ownership interest during the year resulted from additional share issue (Note 23).

OJSC Atomenergoprom is controlled by the State-owned Corporation for Atomic Energy Rosatom (GK Rosatom), a special-form legal entity under Russian law, founded by the Government of the RF. The governing bodies of Rosatom and the ultimate controlling party are the President and the Government of the Russian Federation. GK Rosatom exercises shareholder's rights and is the ultimate beneficiary with regard to the joint-stock companies in which it has shares, in accordance with the legislation on joint-stock companies.

The Group's principle activities are uranium exploration and mining in the Russian Federation, Kazakhstan, the USA, Canada, Australia, Namibia and Tanzania.

The Company's registered office is: 22 Bolshoy Drovyanoy Pereulok, Moscow, Russian Federation, 109004.

(b) Establishment of the Group

The state-owned enterprise Atomredmetzoloto was founded in 1991 on the basis of the former First Main Directorate of the Ministry of Medium-Scale Machine Building of the USSR, and operated within the system of the Russian Atomic Energy Ministry. In 1995, GK Atomredmetzoloto was transformed into an AOOT (open-type joint-stock company), and in 1999, as a result of the re-registration of joint-stock companies, it became OJSC Atomredmetzoloto.

In 2007, as part of the establishment of the State-owned Corporation for Atomic Energy Rosatom and the state-owned atomic holding OJSC Atomenergoprom, combining all civil atomic industry enterprises, 100 percent of shares in the Company was transferred to OJSC Atomenergoprom. As part of the restructuring, the Federal Atomic Energy Agency (Rosatom) entrusted the Company with the function of supplying raw materials to the atomic industry, which required consolidating all the uranium mining assets with Russian participation into one company.

As a result, in 2007-2012 the Company acquired the following subsidiaries, associates and jointly controlled entities:

- acquired through common control transactions from OJSC TVEL, OJSC Tekhsnabexport and OJSC Atomenergoprom, including:
    - OJSC Priargunsky Industrial Mining and Chemical Union (OJSC PIMCU)
    - CJSC Dalur
    - OJSC Khiagda
    - OJSC Uranium Mining Co. (OJSC UMC)
    - CJSC Rusburmash
    - CJSC Lunnoye

  - OJSC South Yakutia Development Corporation
  - JSC Joint Venture Zarechnoye
  - JSC Joint Venture Akbastau (25 percent + 1 share)
  - CJSC TV-Tsentr (a subsidiary of OJSC PIMCU)
  - LLC Joint Venture Rusburmash-Kazakhstan (a subsidiary of CJSC Rusburmash)
  - LLC Dalur-Finance (a subsidiary of CJSC Dalur)
  - LLC Shchekotovo
  - OJSC VNIPIpromtekhnologii

- established by OJSC Atomredmetzoloto and its subsidiaries during 2007-2012:

  - CJSC Elkon Mining and Metallurgical Plant (CJSC Elkon MMP)
  - CJSC Gornoye Uranium Mining Company
  - CJSC Olovskoye Mining and Chemicals Company
  - LLC Karkhu Geologiya
  - LLC Unified Service Company ARMZ
  - Runex Uranium PTY Ltd.
  - CJSC Armenian-Russian Mining Co.
  - LLC Dalur Service (a subsidiary of CJSC Dalur)
  - LLC Streltsovsky Construction and Repair Trust (a subsidiary of OJSC PIMCU)
  - LLC Public Catering and Retail Directorate (a subsidiary of OJSC PIMCU)
  - LLC Motor Transport (a subsidiary of OJSC PIMCU)
  - LLC Urtyskoye Auto Fleet (a subsidiary of OJSC PIMCU)
  - LLC Enterprise Telecommunications (a subsidiary of OJSC PIMCU)
  - LLC Repair and Engineering Works (a subsidiary of OJSC PIMCU)
  - Vostok Power Resourses Ltd.
  - Headspring Investments (PTY) Ltd.
  - ARMZ Namibia (Pty) Ltd.

- acquired from third parties:

  - LLC Agrofirma Itmanovo
  - LLC Firm Geostar (a subsidiary of LLC Agrofirma Itmanovo)
  - Effective Energy N.V.
  - JSC Joint Venture Akbastau (25 percent - 1 share);
  - Uranium One Inc.*
  - Mantra Resources PTY Ltd.*
  - CJSC Pervaya Gornorudnaya Companiya

A description of business combination transactions is provided in Note 6.

(c) Business environment

Russian and Kazakhstan business environment

The Group's operations are primarily located in the Russian Federation and Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of the Russian

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* *The subsidiaries and jointly controlled entities of Uranium One Inc. and Mantra Resources PTY Ltd. are disclosed in Note 6.*

Federation and Kazakhstan both of which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, however, involve varying interpretations of their requirements, which are also subject to frequent changes, which together with other legal and fiscal impediments contribute to the challenges faced by companies doing business in these regions. The consolidated financial statements reflect management's assessment of the impact of the Russian and Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

(d) Group structure

A list of the Group's subsidiaries, associates and jointly controlled entities is provided below:

		Percentage of voting shares (ownership interest)			
Name	**Line of business**	**31 December 2012**	**31 December 2011**	**1 January 2011**	**Country of registration**
Subsidiaries:					
OJSC Priargunsky Industrial Mining and Chemical Union	Uranium mining	89.85%	79.63%	79.33%	Russia
CJSC Dalur	Uranium mining	98.89%	98.89%	98.89%	Russia
OJSC Khiagda	Uranium mining	100.00%	100.00%	100.00%	Russia
CJSC Elkon Mining and Metallurgical Plant	Uranium exploration	100.00%	100.00%	100.00%	Russia
CJSC Gornoye Uranium Mining Company	Uranium exploration	100.00%	100.00%	100.00%	Russia
CJSC Olovskoye Mining and Chemicals Company	Uranium exploration	100.00%	100.00%	100.00%	Russia
CJSC Lunnoye	Uranium and gold exploration and mining	50.03%	50.03%	50.03%	Russia
OJSC Uranium Mining Co.	Management company	100.00%	100.00%	100.00%	Russia
CJSC RUSBURMASH	Service company	100.00%	100.00%	100.00%	Russia
LLC Joint Venture RBM-Kazakhstan	Service company	51.00%	51.00%	51.00%	Kazakhstan
LLC Unified Service Company ARMZ	Service company	99.46%	99.21%	99.17%	Russia
Effective Energy N.V. (EENV)	Management company	100.00%	100.00%	100.00%	Netherlands
Uranium One Inc.	Management company	51.42%	51.42%	51.42%	Canada
Uranium One Americas, Inc. *	Uranium mining	51.42%	51.42%	51.42%	USA
Uranium One USA Inc. *	Uranium mining	51.42%	51.42%	51.42%	USA
Uranium One Australia *	Uranium exploration	51.42%	51.42%	51.42%	Australia
Mantra Resources PTY ltd.	Management company	93.25%	100%	-	Australia
Mantra Tanzania ltd.	Uranium exploration	93.25%	100%	-	Tanzania
OJSC VNIPIpromtekhnologii	Process design, R&D	100.00%	100.00%	100.00%	Russia
CJSC Pervaya Gornorudnaya Companiya	Uranium exploration	99.50%	-	-	Russia

Name	Line of business	Percentage of voting shares (ownership interest) 31 December 2012	31 December 2011	1 January 2011	Country of registration
Associates and jointly controlled entities:					
JSC Joint Venture Zarechnoye *	Uranium mining	25.54%	25.54%	25.54%	Kazakhstan
JSC Joint Venture Akbastau *	Uranium exploration and mining	25.71%	25.71%	25.71%	Kazakhstan
LLC Joint Venture Betpak Dala *	Uranium mining	35.99%	35.99%	35.99%	Kazakhstan
LLC Karatau *	Uranium mining	25.71%	25.71%	25.71%	Kazakhstan
LLC Kyzylkum *	Uranium exploration and mining	15.43%	15.43%	15.43%	Kazakhstan
LLC SKZ-U	Construction of sulphuric acid plant	9.8%	9.8%	9.8%	Kazakhstan
OJSC South Yakutia Development Corporation	Service company	25.10%	25.10%	25.10%	Russia
CJSC Armenian-Russian Mining Co.	Uranium and gold exploration	50.00%	50.00%	50.00%	Armenia
LLC Pyrite SKZ	Construction of sulphuric acid plant	40.00%	40.00%	-	Kazakhstan
Gladstone PTE Ltd.	Management company	40.00%	40.00%	-	Singapore

* *Subsidiaries and joint ventures of Uranium One Inc.*

The transactions involving a change in the ownership of the subsidiaries, joint ventures and associates are described in Notes 6 and 23.

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments, financial instruments at fair value through profit or loss and financial investments classified as available-for-sale are stated at fair value.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Ruble ("RUB"), which is the functional currency of the Company and its subsidiaries, which operate in Russian Federation. The functional currency of subsidiaries that operate abroad is determined on an individual basis for each of the Group companies.

These financial statements are presented in RUB. All financial information presented in RUB has been rounded to the nearest million. Assets and liabilities of foreign operations, including goodwill and the amount of fair value adjustments arising on acquisition, are translated into RUB at the exchange rates at the reporting date. Item of income and expense are translated to RUB at the average exchange rates for the reporting period.

Exchange differences arising on translation are recognized on other comprehensive income as "Foreign currency translation differences for foreign operations".

When an entity disposes of an interest in a foreign operation, the cumulative exchange differences recognised in other comprehensive income are reclassified to profit or loss as a part of the gain or loss on disposal of this foreign operation.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 12 – Property, plant and equipment;
- Note 13 – Intangible assets;
- Note 16 – Investments in jointly controlled entities;
- Note 17 – Deferred tax assets and liabilities.

Provisions for impairment of items of property, plant and equipment and construction in progress. At each reporting date, the Group's management assesses whether there is any indication that the carrying amount of the Group's property, plant and equipment and construction in progress may exceed their recoverable amount. The recoverable amount of property, plant and equipment and construction in progress is the greater of two values: the fair value of the asset less selling expenses, and its value in use. On discovery of evidence of impairment, the carrying amount is reduced to the recoverable amount. The amount of impairment is recognised in the statement of comprehensive income in the period in which the fact of the impairment has been established. If circumstances change and the Group's management concludes that the value of the property, plant and equipment and construction in progress has increased, the provisions for impairment will be fully or partially restored.

Useful lives of items of property, plant and equipment. The estimate of the useful life of an item of property, plant and equipment is down to the judgment of the Group's management, which takes account of experience in making such judgments on other similar assets. In determining the useful life of an asset, management takes account of the intended use, estimated technical obsolescence, physical deterioration and actual conditions of use of the asset. A change in any of these conditions or estimates may lead to an adjustment of the depreciation rates in future periods.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. The Group tests goodwill for impairment annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the business combination.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash generating unit which is retained.

Jointly controlled entities. The Group has interests in the following companies, which management regards as jointly controlled entities: JSC Joint Venture Zarechnoye, JSC Joint Venture Akbastau, LLC Joint Venture Betpak Dala, LLC Kyzylkum, LLC SKZ-U, LLC Karatau, CJSC Armenian-Russian Mining Company, Runex Uranium PTY Ltd. The respective percentages of the Group's interests in these entities are shown in Note 16. The Group's ownership interests in some of the companies differ significantly from those of its partner in the jointly controlled entity. Even so, where management regards these entities as jointly controlled, and considers that all strategic issues regarding operating, financing and investing activity should be decided unanimously, these jointly controlled entities are accounted for using the proportional consolidation method.

3. Significant accounting policies

The accounting policies set out below in paragraphs 3 (a) to 3 (p) have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(iii) Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iv) Acquisition from entities under common control

Acquisitions of subsidiaries from entities under common control are accounted for using the predecessor value method. Here, the consolidated financial statements of the combined entity are presented as if the business combination had occurred at the beginning of the earliest period presented, or, if later, on the date when the acquired companies were first brought under common control. The assets and liabilities of a subsidiary transferred between entities under common control are accounted for at the carrying amounts recognised in the transferring entity's financial statements. The transferring party is considered to be the company at the top of the hierarchy in the financial statements of which the financial statements of the subsidiary acquired, prepared in accordance with IFRS, are consolidated. Goodwill arising prior to initial recognition of the company as the transferring party is also accounted for in these consolidated financial statements. The difference between the carrying amount of the net assets, including the amount of goodwill generated at the transferring party and the amount of the consideration paid is recorded in the present consolidated financial statements in equity as merger reserve.

(v) Investments in associates (equity accounted investees) and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

A jointly controlled entity is a joint venture that involves the establishment of an entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

Unrealised gains on transactions between the Group and associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

Financial investments in jointly controlled entities are accounted for using the proportional consolidation method, on the basis of the Group's share of ownership in the relevant company.

Under the proportional consolidation method, the Group accounts for the jointly controlled entity's assets and liabilities (in the statement of financial position) and income and expenses (in the statement of comprehensive income) on a line-by-line basis in proportion to the Group's share of ownership. Intragroup balances and transactions between the Group and the jointly controlled entity are eliminated in proportion to the Group's share of ownership.

The Group discontinues its accounting use of proportional consolidation for jointly controlled entitys or the equity method for associates as soon as it loses joint control or a significant influence on the jointly controlled entities or associates.

(vi) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate on that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in statement of comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign subsidiaries with the local currency different from the functional currency are translated to the functional currency in accordance with the rules for translation of foreign currency transactions. Foreign currency differences are recognised in the statement of comprehensive income in the other comprehensive income (loss) for the period.

The official exchange rates of the Russian ruble to the US dollar, Canadian dollar, Australian dollar, euro and Kazakhstani tenge as at 31 December 2012, 31 December 2011 and 1 January 2011 are shown below:

	31 December 2012	31 December 2011	1 January 2011
US dollar	30.37	32.19	30.48
Canadian dollar	30.54	31.57	30.49
Australian dollar	31.55	32.72	31.01
Euro	40.23	41.67	40.33
Kazakh tenge	0.20	0.22	0.21

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity (or equity securities) and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables; available-for-sale financial assets.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The loans and receivables category comprises the following classes of financial assets: loans as presented in Note 18, trade and other receivables as presented in Note 20, and cash and cash equivalents as presented in Note 22.

Cash and cash equivalents comprise cash balances and highly liquid investments with maturities of three months or less from their date of initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

Available-for-sale financial assets include equity securities as well as assets related to defined-benefit plans.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

Other financial liabilities comprise loans and borrowings as well as trade and other payables.

(iii) Derivative financial instruments

Derivative financial instruments are recognised initially at their fair value at the date of the relevant contract and subsequently remeasured at fair value.

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions, is documented. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

(d) Share capital

Common shares and non-redeemable preferred shares with the right to receive fixed annual dividends at the Company's discretion are classified as equity.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Repairs and maintenance costs are included in expenses of the current period. The cost of replacing a major part or component of an item of property, plant and equipment is capitalised at the same time as the part replaced is retired.

The items of property, plant and equipment transferred to the Group by the predecessor were recognised at the predecessor's carrying amount, determined in accordance with IFRS at their date of transfer. In preparing consolidated financial statements in accordance with IFRS, the predecessor determined the deemed cost as the historical cost of the items of property, plant and equipment and adjusted it to account for the effect of inflation in the period to 31 December 2002. Certain adjustments were made to additions, disposals and depreciation.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Borrowing costs

Prior to 1 January 2009, the Group recognised all borrowing costs as an expense in the period in which they were incurred.

Starting from 1 January 2009 the Group adopted revised IAS 23 Borrowing Costs. The main change was the removal of the option of immediately recognising as an expense borrowing costs related to assets that take a substantial period of time to get ready for use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method.

The Group capitalises borrowing costs that would have been avoided when: (i) the Group incurs expenditures for the qualifying asset; (ii) it incurs borrowing costs; and (iii) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Interest or other investment income is not deducted in arriving at the amount of borrowing costs available for capitalisation, except where the Group obtains specific borrowings for the purpose of acquiring a qualifying asset and has investment income on the temporary investment of funds obtained through such specific borrowings.

(iii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of tbe day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Plots of land owned by the Group are not depreciated. Depreciation of items of property, plant and equipment used in the mining and initial processing of uranium is recognised in the statement of comprehensive income using the units of production method for property, plant and equipment where this method is the best to reflect the useful life (an estimate of the benefit-cost ratio of the accounting).

Depreciation of other items of property, plant and equipment is calculated on a straight-line basis, through the writing off of their historical value in equal amounts to their liquidation value over the period of their useful life.

- Buildings and facilities: 7-55 years
- Machinery and equipment: 4-20 years
- Vehicles: 4-10 years
- Auxiliary property, plant and equipment: 20-50 years
- Other property, plant and equipment: 2-12 years

The liquidation value of an asset represents an assessment of the amount which the Group could currently receive from the sale of the asset minus selling costs, based on the assumption that the age of the asset and its technical condition already meet expectations at the end of its period of useful life. If the Group plans to use the asset until the end of its physical service life, the liquidation value of the asset is normalised to zero. The liquidation value and periods of useful life of assets are reconsidered and adjusted, if necessary, at each reporting date.

(f) Exploration and evaluation assets

Exploration and evaluation assets are recognised by the Group upon receipt of the licenses for the development of mineral resources (licenses for geological exploration and / or licenses for mining, and / or a combined license for the exploration and production). Recognition of exploration and evaluation assets continues until the confirmation of the technical feasibility and commercial viability of extracting.

The technical feasibility and commercial viability of extracting a mineral resource are considered confirmed when the existence of proved reserves of mineral resources is confirmed and the decision on the involvement of fields into production is made.

The activities of exploration and evaluation include prospecting, exploration and evaluation of work fields.

The license and related costs are recognised as intangible assets.

Costs of fixed assets used in the stages of prospecting and exploration works are capitalised as tangible exploration and evaluation assets.

Other expenses incurred at the stage of prospecting works are expensed on ordinary activities in the period in which they arise.

Other costs incurred in the stages of exploration and evaluation work are capitalised in tangible or intangible exploration and evaluation assets.

Costs incurred prior to the acquisition by the Group of subsoil use rights are expensed as incurred.

All general overhead expenses not directly related to the exploration and evaluation are included in the statement of comprehensive income as incurred.

Exploration and evaluation assets are disclosed separately in the consolidated statement of financial position.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. For the measurement of goodwill at initial recognition, see Note 6.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Mining and exploration licences

All mining and exploration licences are included in intangible assets (Note 13).

(iii) Other intangible assets

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

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation expenses on intangible assets other than goodwill and mining and exploration licences are accrued as soon as they are available for use and recognised in profit or loss using the straight-line method over the period of their useful life. The expected useful lives of intangible assets in the reporting and comparative periods were as follows:

Licences other than mining and exploration licences:	2-3 years
Other intangible assets:	3-5 years

Amortisation of mining and exploration licences commences as soon as commercial exploration of uranium and other minerals starts. Amortisation of mining and exploration licences is calculated using the units of production method.

(h) Leased assets

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

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

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories is defined using average weighted cost and in some cases cost per unit. Cost of finished products and work in progress includes cost of raw and other materials, direct labour and other direct costs and the corresponding portion of overheads and excludes cost of borrowings. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in equity securities a significant or prolonged decline in the fair value of the investment below its actual value is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purposes of impairment testing, acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Corporate assets do not generate separate cash flows and are used by several cash generating units. In testing cash generating units for impairment, an entity shall allocate the corporate asset on a reasonable and consistent basis to that units.

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

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

(k) Employee benefits

Payroll compensation, contributions to the Pensions Fund of the Russian Federation and the Social Insurance Fund of the Russian Federation, paid annual leave and sick leave, bonuses and non-monetary benefits are paid in the reporting period in which the services determining the different types of remuneration were rendered by employees of the Group.

Under collective agreements of OJSC PIMCU, CJSC Dalur and OJSC VNIPIpromtekhnologii, their employees are paid additional compensation on retirement. In addition, OJSC PIMCU and CJSC Dalur provide personal supplements to their ex-workers who are non-working pensioners and also pay the cost of travel to the place of vacation. The liabilities associated with these benefits recognised in the Group's financial statements of the Group represent the discounted value of these payments.

(i) Share-based payments

Employees of the Group's subsidiary Uranium One Inc. participate in a stock option plan entitling them to purchase shares in the subsidiary. For equity-settled awards, the fair value is charged to the consolidated profit or loss and credited to the related reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest. The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the subsidiary. The fair value is determined by using the Black-Scholes option pricing model. At each balance sheet date, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in profit or loss with a corresponding entry against the related reserve. No expense is recognized for awards that do not ultimately vest.

Under Uranium One's Inc. Stock Option Plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The plan is administered by the Board of Directors of Uranium One's Inc., which determines individual eligibility under the plan, the number of shares reserved underlying the options granted to each individual (not exceeding 5% of issued and outstanding shares to any insider and not exceeding 1% of the issued and outstanding shares to any non-employee director on a non-diluted basis) and any vesting period which, pursuant to the stock option plan is one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and the remainder on the third anniversary of the grant date. The maximum number of shares of Uranium One that are issuable pursuant to the plan is limited to 7.2% of issued and outstanding shares.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlements is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of the outflow with respect to any one item included in the same class of obligations may be small.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for site restoration and territory rehabilitation

Environmental obligations include decommissioning and land remediation costs, as well as the costs of retiring property, plant and equipment involved in the mining of raw uranium.

Future decommissioning and land remediation costs, discounted to their present value, are capitalised together with the related decommissioning liabilities. The amount of expenses capitalised is depreciated together with the related property, plant and equipment. The discount accrued on such obligations is included in interest expenses. Decommissioning obligations are periodically reviewed in line with applicable laws and regulations, and adjusted as necessary. Ongoing rehabilitation costs are expensed when incurred.

(m) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Interest income is accrued proportionally in accordance with the terms of financing using the effective rate.

(n) Other expenses

(i) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(iii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(o) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale investments), dividend income, gains on the disposal of available-for-sale investments, the effect of discounts on financial instruments, and foreign currency translation gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, finance lease, foreign currency translation losses, the effect of discounts on financial instruments and impairment losses on financial assets, except for trade receivables. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(p) Income tax

Income tax is recorded in the consolidated financial statements in accordance with the requirements of the jurisdiction in which the Group operates. Income tax expense comprises current and deferred tax, and is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised in equity in the same or some other reporting period.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.Taxes other than income tax are included in cost of products sold or administrative and distribution expenses.

Deferred income tax is provided using the balance sheet liability method for deferred tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

- IAS 19 (2011) *Employee Benefits*. The amended standard will introduce a number of significant changes to IAS 19. First, the corridor method is removed and, therefore, all changes in the present value of the defined benefit obligation and in the fair value of plan assets will be recognised immediately as they occur. Secondly, the amendment will eliminate the current ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss. Thirdly, the expected return on plan assets recognised in profit or loss will be calculated based on the rate used to discount the defined benefit obligation. The amended standard shall be applied for annual periods beginning on or after 1 January 2013 and early adoption is permitted. The amendment generally applies retrospectively.
- IAS 27 (2011) *Separate Financial Statements* will become effective for annual periods beginning on or after 1 January 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). Early adoption of IAS 27 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011).
- IAS 28 (2011) *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 Consolidation – Special Purpose Entities. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee

and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* will be effective for annual periods beginning on or after 1 January 2014. The amendments introduce a mandatory consolidation exception for certain qualifying investment entities. A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The consolidation exception will not apply to subsidiaries that are considered an extension of the investment entity's investing activities. The amendments are to be applied retrospectively unless impracticable.
- IFRS 11 *Joint Arrangements* will be effective for annual periods beginning on or after 1 January 2013 with retrospective application required. The new standard supersedes IAS 31 Interests in Joint Ventures. The main change introduced by IFRS 11 is that all joint arrangements are classified either as joint operations, in which case these arrangements are treated similarly to jointly controlled assets/operations under IAS 31s, or as joint ventures, for which the equity method only is applied. The type of arrangement is determined based on the rights and obligations of the parties to the arrangement arising from joint arrangement's structure, legal form, contractual arrangement and other facts and circumstances. When the adoption of IFRS 11 results a change in the accounting model, the change is accounted for retrospectively from the beginning of the earliest period presented. Under the new standard all parties to a joint arrangement are within the scope of IFRS 11 even if all parties do not participate in the joint control. Early adoption of IFRS 11 is permitted provided the entity also early-adopts IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).
- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied

prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.

- Amendment to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* is effective for annual periods beginning on or after 1 January 2013 and provides guidance for entities with post-development phase surface mining activities. Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified, future benefits arising from the improved access are probable and the costs related to the stripping activity associated with the component of the ore body are reliably measurable. The interpretation also addresses how capitalized stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments that result in accounting changes for presentation, recognition or measurement purposes will come into effect for annual periods beginning after 1 January 2013.

The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

5. Determination of fair values

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

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

Fair value of mineral interest acquired through business combinations is determined based on the independent valuation using discounted cash flows approach.

Mineral interest costs include the purchase price of mineral properties. The costs associated with mineral interests are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired.

(c) Equity and debt securities

The fair value of held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(d) Inventories

The fair value of inventories acquired in a business combination is determined based on their estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(e) Trade and other receivables

The fair value of long-term trade and other receivables is determined as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Management considers the fair value of short-term trade and other receivables to be approximately equal to their carrying amount. The fair value is determined for disclosure purposes only.

(f) Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value of issued bonds is determined by reference to their quoted closing bid price at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(h) Contingent consideration

The fair value of a contingent consideration is determined using the income approach based on the expected payments and their associated probabilities. Since the contingent consideration is long-term in nature, it is discounted to present value.

6. Acquisitions and disposals

Acquisition of Mantra Resources PTY Limited. On 7 June 2011, the Group completed a transaction in which it acquired a 100 percent of interest in Mantra Resources PTY Limited (137,576,308 common shares). Consideration paid equalled RUB 29,550 million. The Mantra Group comprises the following assets: Mantra Resources PTY Ltd (the parent company, registered in Australia), Mavuzu resources PTY Ltd (Australia), Mavuzu minerals PTY Ltd. (Australia), Nyanza Goldfields Ltd. (Tanzania), Mantra Tanzania Ltd. (Tanzania), Ruvuma Resources Ltd. (Tanzania), Mantra Uranium South Africa PTY Ltd. (South Africa), Mantra East Africa Ltd. (Kenya), and Omega Corp. Minerals Limitada (Mozambique). The strategic goal of this transaction is to expand the Group's raw materials base through acquiring control over promising uranium deposits in development. Mantra Resources PTY Limited's main project is the Mkuju River deposit in Tanzania, with resources of more than 45,000 tonnes of uranium.

The fair value of the transaction consideration at the acquisition date is shown below:

mln RUB	
Cash for shares	28,072
Cash for options	848
Cash for special rights	14
Dividends	616
Total compensation for the transaction	**29,550**

During 12 months since the completion of the transaction, an independent valuation of the net identifiable assets of Mantra Resources PTY Limited has been performed. The purchase price allocation is shown below:

mln RUB	Fair value, recognised at the acquisition date
Cash and cash equivalents	998
Investment in securities	9
Mining and exploration licenses	13,631
Property, plant and equipment	1,523
Receivables and advances issued	52
Payables and provisions	(118)
Site restoration provision	(1,348)
Deferred tax liabilities	(4,050)
Net identifiable assets and liabilities	**10,697**

Goodwill from the transaction is related to the future investee control advantages, expected synergy effect from the business combination, as well as the expected business value growth as a result of optimising technical parameters of the project. Goodwill is not tax-deductible.

The calculation of the goodwill from the transaction is shown below:

mln RUB	
Fair value of consideration transferred	29,550
Net identifiable assets and liabilities	(10,697)
Goodwill	**18,853**

The expenses related to the acquisition of Mantra Resources PTY Ltd. in the amount of RUB 323 million were recorded as administrative expenses in 2011 year.

Acquisition of Gladstone PTE. On 30 December 2011, Effective Energy N.V., a subsidiary of the Group, acquired 40 percent of shares of Gladstone PTE Ltd (Singapore) for total consideration RUB 1,224 million. This company controls 100 percent of LLC Pyrite SKZ (a company registered in Kazakhstan), which will act as a site for the construction of a sulfuric acid plant in Stepnogorsk, Kazakhstan. At 31 December 2012 the Group had paid RUB 675 million of consideration. The remaining amount is recorded in other payables (Note 26).

Acquisition of CJSC Pervaya Gornorudnaya Companiya. In November 2012 the Group acquired 99.50 percent of shares of CJSC Pervaya Gornorudnaya Companiya for total consideration of RUB 950 million. CSJC Pervaya Gornorudnaya Companiya owns rights to develop Pavloskoye lead-cinc ore field (located in the archipelago of Novaya Zemlya), with polymetallic ore reserves approved by the State Deposits Comission totalling 37 million tonnes.

For the purpose of these consolidated financial statements this transaction is accounted for as an acquisition of an asset.

Acquisition of Honeymoon Uranium Project. In February 2012, Mitsui & Co., Ltd ("Mitsui"), the owner of 49 percent shares in Honeymoon Uranium Project (joint venture with Uranium One Inc.), notified Uranium One Inc. about its decision to withdraw from the project. The parties agreed on the terms of Mitsui's withdrawal as a result of which Uranium One Inc. acquired 49% in Honeymoon Uranium Project. The transaction closed after the receipt of applicable Australian regulatory approval during September 2012.

On completion of the transaction Mitsui paid Uranium One Inc. RUB 28 million. As a result of the transaction Uranium One Inc. owns 100% share in Honeymoon Uranium Project.

7. Revenue

mln RUB	2012	2011
Sales of uranium	43,117	40,310
Sales of electricity and heat	1,857	1,783
Sales of coal	1,121	1,038
Sales of R&D services	364	515
Other sales	1,336	849
Total	**47,795**	**44,495**

8. Cost of sales

mln RUB	2012	2011
Raw and other materials and goods	14,719	15,491
Personnel costs	6,374	4,645
Depreciation of property, plant and equipment	4,468	2,675
Amortisation of intangible assets	4,360	3,218

mln RUB	2012	2011
Taxes other than income tax	1,619	1,150
Planning and surveying work	1,498	627
Utilities	989	890
Transport expenses	699	1,199
Repairs and maintenance	390	277
Exploration and evaluation costs	318	39
Security	100	127
Change in work in progress and finished products	(257)	(288)
Other expenses	542	1,452
TOTAL	**35,819**	**31,502**

Personnel costs includes compulsory social and pensions contributions totalling RUB 1,000 million (compared to RUB 831 million in 2011).

9. Administrative and distribution expenses

mln RUB	2012	2011
Personnel costs	4,087	3,879
Consulting and information expenses	527	531
Materials	369	367
Lease expenses	305	335
Business trip expenses	260	258
Taxes other than income taxes	166	299
Insurance expenses	135	138
Depreciation of property, plant and equipment	116	117
Transport expenses	90	124
Amortization of intangible assets	59	114
Repairs and maintenance	35	66
Accrual of loss from impairment of receivables	32	170
Bank services	9	23
Other administrative and distribution expenses	222	689
TOTAL	**6,412**	**7,110**

Personnel costs include compulsory social and pensions contributions totalling RUB 353 million (compared to RUB 257 million in 2011).

10. Finance income and costs

mln RUB	2012	2011
Interest income	504	963
Effect of discounting	51	613
Other finance income	6	424
Finance income	**561**	**2,000**
Interest expense	(2,065)	(1,709)
Effect of discounting	(506)	-
Loss on foreign currency translation differences	(415)	(42)
Finance lease expense	(66)	(87)
Finance costs	**(3,052)**	**(1,838)**
Net finance (costs) / income	**(2,491)**	**162**

11. Income tax

The Group applies a 20 percent tax rate for the Russian companies of the Group.

mln RUB	Note	2012	2011
Current income tax charge		2,610	2,967
Deferred income tax charge	17	(1,181)	(437)
Total income tax charge		**1,429**	**2,530**

Reconciliation of effective income tax rate

	2012		2011	
	mln RUB	%	mln RUB	%
(Loss) / profit for the year	(9,230)		3,200	
Income tax	1,429		2,530	
(Loss) / profit excluding tax	**(7,801)**		**5,730**	
Estimated amount of income tax at the statutory rate	(1,560)	(20)	1,146	20
Non tax-deductible expenses	2,583	33	1,689	30
Effect of income tax at rates of other jurisdictions	(208)	(3)	(544)	(10)
Changes in unrecognized temporary differences	614	8	239	5
	1,429	**18**	**2,530**	**44**

12. Property, plant and equipment

mln RUB	Land, buildings and facilities	Machinery and equipment	Other property, plant and equipment	Under construction	Total
Cost					
Balance at 1 January 2011	**29,603**	**11,258**	7,195	**9,262**	**57,318**
Acquisitions through business combinations	1,068	21	434	-	1,523
Additions	1,068	313	4,741	5,639	11,761
Site restoration additions	1,754	592	-	-	2,346
Disposals	(671)	(32)	(24)	(269)	(996)
Transfer	1,875	369	322	(2,566)	-
Effect of movements in exchange rates	387	124	859	215	1,585
Balance at 31 December 2011	**35,084**	**12,645**	**13,527**	**12,281**	**73,537**
Balance at 1 January 2012	**35,084**	**12,645**	**13,527**	**12,281**	**73,537**
Additions	552	410	170	11,752	12,884
Disposals	(411)	(70)	(623)	(381)	(1,485)
Transfer	6,358	1,414	435	(8,207)	-
Reclassification	9,930	8	(11,198)	1,260	-
Site restoration additions	664	191	-	-	855
Impairment	(96)	-	-	-	(96)
Effect of movements in exchange rates	207	(153)	(440)	(419)	(805)
Balance at 31 December 2012	**52,288**	**14,445**	**1,871**	**16,286**	**84,890**
Depreciation					
Balance at 1 January 2011	**(13,239)**	**(7,705)**	**(1,782)**	-	**(22,726)**
Depreciation in the year	(814)	(636)	(1,342)	-	(2,792)
Disposals	19	15	13	-	47
Effect of movements in exchange rates	(59)	20	(222)	-	(261)
Balance at 31 December 2011	**(14,093)**	**(8,306)**	**(3,333)**	-	**(25,732)**
Balance at 1 January 2012	**(14,093)**	**(8,306)**	**(3,333)**	-	**(25,732)**
Depreciation in the year	(3,254)	(821)	(817)	-	(4,892)
Disposals	2	33	280	-	315
Reclassification	(3,137)	-	3,137	-	-
Effect of movements in exchange rates	119	44	135	-	298
Balance at 31 December 2012	**(20,363)**	**(9,050)**	**(598)**	-	**(30,011)**
Carrying amounts					
At 1 January 2011	16,364	3,553	5,413	9,262	34,592
Balance at 31 December 2011	20,991	4,339	10,194	12,281	47,805
Balance at 31 December 2012	31,925	5,395	1,273	16,286	54,879

As at 31 December 2012 and 31 December 2011 property, plant and equipment included prepayments for property, plant and equipment, recognised in category "Under construction", in the amount of RUB 1,287 million and RUB 495 million respectively.

The Group capitalized borrowing costs attributable to property, plant and equipment in the amount of RUB 619 million (2011: RUB 517 million), with a capitalisation rate of 7.4 percent (2011: 7.4 percent).

During 2012 management reclassified capitalized mine development costs in the amount of RUB 11,198 million from other property, plant and equipment to the respective property, plant and equipment categories as this presentation more accurately reflect the composition of property, plant and equipment balances.

Operating lease liabilities. The Group leases the sites on which its main mining, exploration and other assets are located. The leases run for an initial period of 5-49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

mln RUB	31 December 2012	31 December 2011
Less than 1 year	3,461	263
From 1 to 5 years	4,530	220
More than 5 years	30	20
Total	**8,021**	**503**

13. Intangible assets

mln RUB	Note	Goodwill	Mining and exploration licenses	Other	Total
Historical cost					
Balance at 1 January 2011		12,103	62,330	447	74,880
Acquisitions through business combinations	6	24,948	13,631	-	38,579
Additions		-	18	408	426
Disposals		-	(1,121)	(93)	(1,214)
Foreign currency translation differences		3,587	5,250	5	8,842
Balance at 31 December 2011		**40,638**	**80,108**	**767**	**121,513**
Balance at 1 January 2012		40,638	80,108	767	121,513
Acquisitions through business combinations	6	-	950	-	950
Additions		-	108	199	307
Impairment		(10,630)	-	-	(10,630)
Disposals		-	(1,756)	(322)	(2,078)
Foreign currency translation differences		(1,956)	(6,250)	-	(8,206)
Balance at 31 December 2012		**28,052**	**73,160**	**644**	**101,856**
Accumulated amortisation					
Balance at 1 January 2011		-	(27)	(42)	(69)
Amortisation in the year		-	(3,221)	(111)	(3,332)
Disposals		-	22	54	76
Foreign currency translation differences		-	(152)	(3)	(155)
Balance at 31 December 2011		**-**	**(3,378)**	**(102)**	**(3,480)**
Balance at 1 January 2012		-	(3,378)	(102)	(3,480)
Amortisation in the year		-	(4,342)	(77)	(4,419)
Disposals		-	1	-	1
Foreign currency translation differences		-	2,803	-	2,803
Balance at 31 December 2012		**-**	**(4,916)**	**(179)**	**(5,095)**
Carrying amounts					
At 1 January 2011		**12,103**	**62,303**	**405**	**74,811**
Balance at 31 December 2011		**40,638**	**76,730**	**665**	**118,033**
Balance at 31 December 2012		**28,052**	**68,244**	**465**	**96,761**

Impairment analysis

For the purposes of impairment testing, goodwill is allocated to cash generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Goodwill is allocated to the cash-generating units as follows:

mln RUB	2012	2011
Uranium One Inc.	18,111	18,832
Mantra Resources PTY Ltd.	9,941	21,806
Total	**28,052**	**40,638**

(a) Impairment testing of Uranium One Inc goodwill

The fair value less costs to sell of Uranium One Inc. was determined based on the Uranium One Inc. stock price, traded on the Toronto Stock Exchange. There is no impairment of Uranium One Inc. as at 31 December 2012.

(b) Impairment testing of Mantra Resources PTY Limited goodwill

For impairment testing purposes of Mantra Resources PTY Limited, Mkuju River project in Tanzania was defined as the cash generating unit.

The recoverable amount of Mkuju River Project has been calculated on the basis of value in use. These calculations use cash flow projections based on the financial budgets approved by management for the life of the project.

The analysis showed that the book value of operating assets exceeds its recoverable amount. As a result, an impairment loss of RUB 10,630 million (2011: RUB 0 million) has been recognized. This impairment loss was recognised as a reduction of the cost of goodwill and is included in other expenses in the consolidated statement of comprehensive income.

Management considers that impairment recognized is mostly relates to the current worldwide downturn in uranium prices and increase of capital expenditures to be incurred during Mkuju River project development initially not anticipated upon the acquisition.

Assumptions used in the discounted cash flow forecasting

Discounted cash flow forecast was drawn up for the period from 2013 to 2033, for the duration of the project Mkuju River. The forecast period was determined by management based on external and internal sources of information.

The following assumptions were used for the purpose of the test:

The discount rate

A pre-tax discount rate of 16.04% (after tax discount rate - 11.67%) was applied to determine the recoverable amount of fixed and intangible assets, taking into account considerable part of external financing.

The applied discount rate is the pre-tax measure based on the risk-free rate for a 20-year US government bonds of 2.5%, adjusted for a risk premium for investing in equity of 4.9%, country specific risk premium of 2.6% and risk premium related to the specific features of the project of 3.5%. The discount rate was determined using pre-tax cost of borrowing of 7% and share of borrowed capital of 21%.

Forecast uranium prices (U308)

The forecast uranium prices, based on which the recoverable amount was determined for the project Mkuju River, was provided by a consulting agency UX Consulting Company:

Year	US$/lb
2013	51.0
2014	54.5
2015	62.5
2016	71.0
2017	80.5
2018	91.0
2019	96.0
2020	95.0
2021	93.0
2022	95.5
2023	99.0
2024	102.0
2025	105.0

After 2025 the annual growth rate of uranium price was assumed at 3.5%.

Forecast production volume (U308)

The forecast uranium production, based on which the recoverable amount was determined for the project Mkuju River, as shown below:

Year	Mlbs
2013	-
2014	-
2015	0,340
2016	5,818
2017	8,566
2018	8,961
2019	9,133
2020	9,133
2021	9,133
2022	8,244
2023	7,611
2024	7,106
2025	6,070
2026	5,182
2027	4,441
2028	2,076
2029	1,832
2030	1,777

Forecast sales volume (U308)

The forecast uranium sales, based on which the recoverable amount was determined for the project Mkuju River, as shown below:

Year	Mlbs
2013	-
2014	-
2015	-
2016	4,704
2017	7,879
2018	8,862
2019	9,090
2020	9,133
2021	9,133
2022	8,466
2023	7,769
2024	7,232
2025	6,329
2026	5,404
2027	4,626
2028	2,668
2029	1,893
2030	1,790
2031	0,444

Forecast cost of goods sold

The forecasted cost of goods sold, based on which the recoverable amount was determined for the project Mkuju River, as shown below:

Year	MlUSD
2013	19,98
2014	20,52
2015	112,12
2016	209,74
2017	250,88
2018	275,34
2019	271,51
2020	277,89
2021	290,13
2022	255,03
2023	209,67
2024	171,07
2025	152,84
2026	147,62
2027	143,38
2028	129,20
2029	126,97
2030	128,61
2031	27,84
2032	8,23

Forecast cumulative consumer price index, CPI

The forecast cumulative consumer price index, based on which the recoverable amount was determined for the project Mkuju River, as shown below:

Year	Percent
2013	2
2014	5
2015	8
2016	11
2017	14
2018	18
2019	21
2020	25
2021	29
2022	32
2023	36
2024	40
2025	45
2026	49
2027	54
2028	58
2029	63
2030	68
2031	73

Forecast cumulative Producer Price Index, PPI

The forecast cumulative producer price index, based on which the recoverable amount was determined for the project Mkuju River, as shown below:

Year	Percent
2013	2
2014	5
2015	8
2016	11
2017	14
2018	17
2019	19
2020	21
2021	24
2022	26
2023	29
2024	31
2025	34
2026	37
2027	39
2028	42
2029	45
2030	48
2031	51

Sensitivity to changes in assumptions

The estimated recoverable amount of the project Mkuju River exceeds its carrying amount by approximately RUB 10,630 million as at 31 December 2012. Management has identified three key assumptions for which there could be a reasonably possible change that could cause in increase of net impairment losses.

The table below shows the amount of impairment, when key assumptions change by 10%:

Assumption	Impairment loss
Discount rate increase	14,243
Forecast uranium prices (U3O8) decrease	17,572
Sales volume decrease	17,456

The values assigned to the key assumptions represent management's assessment of future business trends, and are based on both external sources and internal sources.

14. Exploration and evaluation assets

mln RUB	Non-depreciable
Balance at 1 January 2011	5,446
Additions	289
Balance at 31 December 2011	**5,735**
Balance at 1 January 2012	5,735
Additions	2,967
Diposals	(340)
Impairment	(261)
Foreign currency translation differences	(32)
Balance at 31 December 2012	**8,069**

15. Equity accounted investees

At 31 December 2012, the Group had interests in the following associates:

mln RUB	Ownership	Carrying amount at 31 December 2011	Share of loss of associates and jointly controlled entities	Changes, recognised in other comprehensive loss	Carrying amount at 31 December 2012
Gladstone PTE (Note 6)	40%	1,224	(4)	(42)	1,178
OJSC South Yakutia Development Corporation	25.10%	29	-	-	29
Total associates		**1,253**	**(4)**	**(42)**	**1,207**

At 31 December 2011, the Group had interests in the following associates:

mln RUB	Ownership	Carrying amount at 31 December 2010	Interest acquisition	Carrying amount at 31 December 2011
Gladstone PTE (Note 6)	40%	-	1,224	1,224
OJSC South Yakutia Development Corporation	25.10%	29	-	29
Total associates		**29**	**1,224**	**1,253**

Information as at 31 December 2012 on the Group's interests in its main associates, and summary information on their financial indicators, including their total assets, liabilities, revenues, profit or loss, is presented below:

Associates	Total assets	Total liabilities	Revenue	Loss	Country of incorporation
Gladstone PTE Ltd.	432	77	-	(9)	Singapore
OJSC South Yakutia Development Corporation	129	12	27	0	Russia

Information as at 31 December 2011 on the Group's interests in its main associates, and summary information on their financial indicators, including their total assets, liabilities, revenues, profit or loss, is presented below:

Associates	Total assets	Total liabilities	Revenue	Profit	Country of incorporation
Gladstone PTE Ltd.	321	-	-	1	Singapore
OJSC South Yakutia Development Corporation	128	12	25	0	Russia

16. Investments in joint ventures

At 31 December 2012, the Group had interests in the following jointly controlled entities:

Jointly controlled entity and assets	Effective interest
JSC Joint Venture Akbastau	25.70%
JSC Joint Venture Zarechnoye	25.53%
CJSC Armenian-Russian Mining Co.	50.00%
LLC Joint Venture Betpak Dala	35.98%
LLC Karatau	25.70%
LLC Kyzylkum	15.42%
LLC SKZ-U	9.80%
Runex Uranium PTY Ltd.	50.00%

JSC Joint Venture Akbastau. The JV was established in 2006 for the development of Blocks 1, 3 and 4 of the Budyonnovskoye uranium deposit in the Sozak region of South Kazakhstan Province. Uranium mining at the Budyonnovskoye deposit started in 2009. The design capacity of 3,000 tonnes per annum is planned to be reached by 2015. 50 percent of JSC Joint Venture Akbastau belongs to the Group, and the remaining 50 percent belongs to JSC NAC Kazatomprom, a state-owned company that is Kazakhstan's national operator for the import and export of uranium.

JSC Joint Venture Zarechnoye. The JV was established for joint operation of the Zarechnoye and South Zarechnoye uranium deposits in the Otrarski region of South Kazakhstan Province. 49.67 percent of JV Zarechnoye belongs to the Group, and the remaining 50.33 percent belong to JSC NAC Kazatomprom and JSC Kara Balta Mining Plant (Kyrgyzstan). The JV's tasks include in-situ leach mining of uranium, primary processing of leach solutions to produce yellowcake and export of U3O8. Recently, the infrastructure required to ensure the design capacity of 1,000 tonnes at the Zarechnoye deposit has been created. By 2014, the company plans geological exploration with pilot production of uranium at the South Zarechnoye deposit and further construction of an ISL mine with a capacity of 600 tonnes of natural uranium per annum.

LLC Karatau. The JV was established in 2005 for development of Block 2 of the Budyonnovskoye uranium deposit in the Sozak region of South Kazakhstan Province. The company mines uranium by in-situ leaching. 50 percent of LLC Karatau belongs to the Group, and the remaining 50 percent belongs to JSC NAC Kazatomprom.

LLC Joint Venture Betpak Dala. The JV was founded for exploration and commercial production at the Akdala and South Inkai uranium mines, located in the Chu-Sarysu Basin in South Kazakhstan. Pilot production started at the Akdala mine in 2001. 70 percent of the JV belongs to the Group, and the remaining 30 percent belongs to JSC NAC Kazatomprom. Production at Akdala deposit is performed at project capacity of 1,000 tonnes per year. Production at South Inkai deposit in 2012 amounted to 1,870 tonnes of uranium (2011: 1,548 tonnes). The production reached the project capacity in the beginning of 2012.

LLC Kyzylkum. Established in May 2005, Kyzylkum LLP is engaged in fulfilling the Northern Kharasan uranium deposit development project (the Kharasan-1 block) with yellowcake as an end product, and with its refinement into U3O8. 30 percent of the JV belongs to the Group, 30 percent to JSC NAC Kazatomprom, and 40 percent to Energy Asia (B.V.I.) Limited (a consortium of Japanese power companies).

LLC SKZ-U. The JV (for construction of a sulfuric acid plant) is jointly owned by the Group, JSC NAC Kazatomprom and other partners. The Group has a 19 percent interest in the company.

The proportionate share of the Group in revenue, costs, net profit, assets and liabilities as at 31 December 2012 and 31 December 2011 is provided below:

mln RUB	Akbastau	Zarechnoye	Karatau	Betpak Dala	Kyzylkum	SKZ-U	Total
2012							
Revenue	2,134	3,124	2,160	7,471	662	17	15,568
Costs	(790)	(2,579)	(1,804)	(5,394)	(611)	-	(11,178)
Profit after tax	**1,344**	**545**	**356**	**2,077**	**51**	**17**	**4,390**
Non-current assets	8,958	143	20,454	29,678	4,161	1,186	64,580
Current assets	1,634	759	1,063	4,330	562	63	8,411
Total assets	**10,592**	**902**	**21,517**	**34,008**	**4,723**	**1,249**	**72,991**
Current liabilities	833	973	361	388	185	76	2,816
Non-current liabilities	4,891	1,378	4,799	6,289	2,240	847	20,444
Total liabilities	**5,724**	**2,351**	**5,160**	**6,677**	**2,425**	**923**	**23,260**
Total net assets	**4,868**	**(1,449)**	**16,357**	**27,331**	**2,298**	**326**	**49,731**
2011							
Revenue	1,571	56	3,679	7,796	-	-	13,102
Costs	(1,083)	(203)	(2,731)	(6,037)	(35)	(4)	(10,093)
Profit after tax	**488**	**(147)**	**948**	**1,759**	**(35)**	**(4)**	**3,009**
Non-current assets	9,105	6,255	22,706	35,748	4,013	1,112	78,939
Current assets	1,066	515	1,572	5,229	72	48	8,502
Total assets	**10,171**	**6,770**	**24,278**	**40,977**	**4,085**	**1,160**	**87,441**
Current liabilities	637	1,072	1,251	415	631	28	4,034
Non-current liabilities	4,767	1,876	4,324	6,955	1,360	801	20,083
Total liabilities	**5,404**	**2,948**	**5,575**	**7,370**	**1,991**	**829**	**24,117**
Total net assets	**4,767**	**3,822**	**18,703**	**33,607**	**2,094**	**331**	**63,324**

17. Deferred tax assets and liabilities

Under the Group's existing structure, the tax losses and current tax assets of companies in the Group may not be offset against the current tax liabilities and taxable profits of other companies in the Group. Accordingly, taxes may accrue even if there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The Group did not recognise potential deferred tax assets on its accumulated tax losses carried forward, in the amount of RUB 2,783 million as at 31 December 2012 (compared to RUB 3,726 million as at 31 December 2011), as it is not certain that the amount of tax losses will be offset in future.

Recognised assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

mln RUB	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property, plant and equipment	841	698	(3,254)	(2,849)	(2,413)	(2,151)
Intangible assets	968	410	(16,226)	(15,929)	(15,258)	(15,519)
Investment	1,181	84	(341)	983	840	1,067
Inventories	25	28	(119)	(48)	(94)	(20)
Receivables	205	325	(32)	-	173	325
Loans and borrowings	62	117	(163)	(92)	(101)	25
Provisions	1,234	718	(92)	(184)	1,142	534
Payables	857	160	(194)	(40)	663	120
Tax loss carry-forwards	248	195	(38)	-	210	195
Other items	395	590	(4)	(204)	391	386
Total tax assets/(liabilities)	**6,016**	**3,325**	**(20,463)**	**(18,363)**	**(14,447)**	**(15,038)**

Movement in temporary differences during the year

mln RUB	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2012
Property, plant and equipment	(2,151)	(223)	(39)	(2,413)
Intangible assets	(15,519)	907	(646)	(15,258)
Investment	1,067	(326)	99	840
Inventories	(20)	(76)	2	(94)
Receivables	325	(155)	3	173
Loans and borrowings	25	(125)	(1)	(101)
Provisions	534	626	(18)	1,142
Payables	120	543	-	663
Tax loss carry-forwards	195	15	-	210
Other items	386	(5)	10	391
TOTAL	**(15,038)**	**1,181**	**(590)**	**(14,447)**

mln RUB	1 January 2011	Recognised in profit or loss	Recognised in other comprehensive income	From acquisition	31 December 2011
Property, plant and equipment	(1,390)	(742)	(19)	-	(2,151)
Intangible assets	(11,739)	1,271	(1,001)	(4,050)	(15,519)
Investment	2,037	(1,022)	52	-	1,067
Inventories	(210)	180	10	-	(20)
Receivables	241	83	1	-	325
Loans and borrowings	196	(165)	(6)	-	25
Provisions	237	297	-	-	534
Payables	127	(7)	-	-	120
Tax loss carry-forwards	190	5	-	-	195
Other items	(144)	537	(7)	-	386
TOTAL	**(10,455)**	**437**	**(970)**	**(4,050)**	**(15,038)**

18. Other non-current assets

mln RUB	2012	2011
Long-term loans issued	645	1,125
Long-term letter of credit	400	536
Derivatives (Note 27)	268	-
Uranium concentrate loan	55	383
Available-for-sale financial assets	20	35
Other	4	6
Total financial assets	**1,392**	**2,085**
Liquidation fund	578	1,408
Other	122	341
TOTAL	**2,092**	**3,834**

Long-term loans issued. Long-term loans are represented by non-eliminated portion of loans issued to joint ventures. Financing of joint ventures' operations is a part of normal financing activity of the Group.

Asset retirement fund. Asset retirement fund refers to long term contributions to special purpose funds in the USA, Canada and Republic of Kazakhstan that are made in accordance with legislation in order to cover remediation expenses. Contributions to these funds are a mandatory criterion for receiving mining and exploration licences. The contribution periods correspond to the effective terms of the licences.

19. Inventories

mln RUB	2012	2011
Materials and supplies	2,450	2,588
Work in progress	2,395	1,264
Finished products and goods for resale	8,348	10,584
Total before impairment provision	**13,193**	**14,436**
Provision for obsolete stock	(63)	(38)
Total	**13,130**	**14,398**

20. Receivables and advances issued

mln RUB	2012	2011
Trade receivables	8,146	5,313
Other receivables	462	100
Provision for impairment of receivables	(181)	(177)
Total financial receivables	**8,427**	**5,236**
VAT for refund	1,682	1,912
Advances issued	1,350	985
Prepaid VAT	54	11
Prepaid other taxes	17	17
Other receivables	28	20
Provision for impairment of advances issued	(29)	(27)
Total receivables and advances issued	**11,529**	**8,154**

The Group's exposure to credit and currency risks and impairment losses to trade and other receivables are disclosed in Note 27.

21. Other current assets

mln RUB	2012	2011
Loans at amortised cost	1,587	1,610
Loans to JVs	54	488
Other current assets	346	51
Total other current assets	**1,987**	**2,149**

22. Cash and cash equivalents

mln RUB	2012	2011
Cash at banks	9,728	12,373
Deposits and highly liquid securities	7,027	9,949
Restricted use cash	344	370
Petty cash	5	2
Cash and cash equivalents	**17,104**	**22,694**

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27.

23. Capital and reserves

mln RUB	Number of shares	Share capital
Balance at 1 January 2011	**20,257,239,961**	**20,257**
Balance at 31 December 2011	**20,257,239,961**	**20,257**
Issue of shares	2,173,128,542	2,173
Balance at 31 December 2012	**22,430,368,503**	**22,430**

Share capital and share premium

On 1 April 2011 the shareholders decided to increase the Company's share capital by 22,430,368,503 shares with a par value of RUB 1 each in the form of additional share issue.

The Company issued 323,954,167 shares for RUB 1,555 million in favor of the SC Rosatom and 1,849,174,375 shares at RUB 8,876 million in favor of OJSC Atomenergoprom.

The Group shareholders paid RUB 5,259 million for 1,095,628,542 ordinary shares at 4.80 RUB per ordinary share in 2011 and RUB 5,172 million for 1,077,500,000 ordinary shares at 4.80 RUB per ordinary share in 2012. Before 2012 when the the additional share issue was registered with state authorities, the amount of RUB 5,259 million paid by the Group shareholders was reflected as share premium. As a result of this share issue share of the SC Rosatom in the Company's share capital comprised 1.44 percent, the share of OJSC TVEL – 18.08 percent, the share of OJSC Atomenergoprom - 80.48 percent.

Dividends. In accordance with Russian legislation the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2012 the Company had retained earnings, including the profit for the current year of RUB 18,486 million (2011: RUB 17,472 million).

Stock options. The Company's subsidiary Uranium One Inc. operates a stock option program. All operations with stock options are considered by Management of the Group as transactions with non-controlling interest holders within equity.

The following is a summary of options granted under the stock-based compensation plan:

mln RUB	Number of options	Weighted average exercise price, RUB
Outstanding options as at 1 January 2012	**13,496,537**	**210**
Granted options	4,219,262	98
Cancelled and forfeited	(2,175,731)	154
Expired stock options	(1,356,675)	444
Outstanding options as at 31 December 2012	**14,183,393**	**159**

mln RUB	Number of options	Weighted average exercise price, RUB
Outstanding options as at 1 January 2011	**13,681,076**	**228**
Granted options	3,120,060	159
Exercised options	(5,000)	83
Cancelled and forfeited	(1,215,657)	241
Expired stock options	(2,083,942)	282
Outstanding options as at 31 December 2011	**13,496,537**	**210**

The weighted average fair value of the share options granted during the year is RUB 44. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years.

The weighted average share price for options exercised in 2012 was RUB 164 (2011: RUB 166).

The following table summarizes stock options outstanding at 31 December 2012 and 31 December 2011:

31 December 2012

RUB	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
Range of exercise prices, RUB	**Number outstanding as at 31 December 2012**	**Weighted average remaining life (years)**	**Weighted average exercise price, RUB**	**Number exercisable as at 31 December 2012**	**Weighted average remaining life (years)**	**Weighted average exercise price, RUB**
59 – 108.8	4,098,389	4.18	96	127,860	3.55	80
108.9 – 148	5,283,186	2.99	143	3,601,132	2.97	142
148.1 – 242.1	2,308,818	3.19	197	1,159,234	3.20	198
242.2 – 307.7	2,362,500	3.91	259	2,362,500	3.91	259
307.8 – 366.2	130,500	4.01	366	130,500	4.01	366
Total	**14,183,393**	**3.53**	**159**	**7,381,226**	**3.34**	**191**

31 December 2011

RUB	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
Range of exercise prices, RUB	**Number outstanding as at 31 December 2011**	**Weighted average remaining life (years)**	**Weighted average exercise price, RUB**	**Number exercisable as at 31 December 2011**	**Weighted average remaining life (years)**	**Weighted average exercise price, RUB**
62.1 to 103.9	583,026	4.60	85	10,266	2.96	84
104.0 to 141.4	6,308,719	3.99	146	2,298,472	3.94	144
141.5 to 231.3	2,621,617	4.20	200	560,417	4.23	202
231.4 to 294.0	2,413,250	4.83	263	2,413,250	4.83	263
294.1 to 492.7	1,569,925	0.80	448	1,569,925	0.80	448
Total	**13,496,537**	**3.84**	**210**	**6,852,330**	**3.56**	**260**

The fair value of stock options used to calculate the compensation expense was estimated using the Black-Scholes option pricing model with the following assumptions:

	31 December 2012	**31 December 2011**
Risk free interest rate	1.27% - 1.50%	0.8%-2.3%
Expected dividends yield	0%	0%
Expected volatility of the Uranium One's share price	70%	70%
Expected life	1.75 – 3.75 years	1.3-3.5 years

During the year the Group recognized outstanding options issued by Uranium One Inc. in the amount of RUB 187 million (2011: RUB 3,937 million).

Convertible debentures. As at 31 December 2011 the Group recognized the equity component of convertible debentures issued by Uranium One Inc. in 2010 in the amount of RUB 2,158 million (see Note 24).

Effect of changes in non-controling interest in subsidiaries. In 2012 the Company acquired additional 10.22 percent of shares in its subsidiary OJSC Priargunsky Industrial Mining and Chemical Union from non-controlling shareholders for RUB 1,064 million and through additional share issue. As a result of these transactions the Group's share in OJSC Priargunsky Industrial Mining and Chemical Union increased to 89.85 percent and non-controlling interest decreased by RUB 737 million.

On 15 March 2012 Uranium One Inc. completed the transaction on acquisition of 19,136,864 shares of Mantra Resources PTY Limited (13.9 percent) for USD 150 million. The effective portion of the Group's share in Mantra Resources PTY Ltd. as at 31 December 2012 reduced from 100 percent to 93.25 percent. As a result of the transaction non-controlling interest increased by RUB 2,148 million.

Prior period adjustments. As at 31 December 2012 management made certain adjustments and reclassifications in the amount of RUB 2,730 million related to prior periods in order to present more accurately the financial position of the Group. Management did not restate the comparatives for 2011 in relation to prior period reclassifications as they were considered not significant.

24. Loans and borrowings

The following table shows loans and borrowings:

Non-current	**Currency**	**Effective interest rate**	**Due**	**31 December 2012**	**31 December 2011**
Bonds	CAD, RUB	5%-9.75%	2015-2016	21,105	21,124
Bank loans	CAD,RUB, USD	2%-9.25%	2014-2015	7,324	14,520
Loans	RUB	5.7%-8%	2014-2015	5,768	4,598
Finance lease liability	RUB	1.07%-16.16%	2014-2017	163	274
Less current portion				(1,413)	(921)
Total				**32,947**	**39,595**

Current	Currency	Effective interest rate	31 December 2012	31 December 2011
Bank loans	CAD, RUB, USD	2%-10.5%	4,605	2,145
Loans	RUB	6.65%-8%	3,408	161
Finance lease liability	RUB	1.07%-16.16%	204	323
Current portion			1,413	921
Total			**9,630**	**3,550**

The following table shows the maturities of long-term loans and borrowings:

mln RUB	31 December 2012	31 December 2011
Less than 2 years	632	8,043
From 2 to 3 years	18,176	2,910
From 3 to 4 years	14,105	28,642
From 4 to 5 years	34	-
From 5 years	-	-
Total non-current loans and borrowings	**32,947**	**39,595**

Pledges: At 31 December 2012 and 2011, the Group had the following assets pledged as collateral:

mln RUB	31 December 2012	31 December2011
Property rights (revenue under sales contract)	8,514	2,831
Property, plant and equipment	382	407
Total assets pledged and restricted	**8,896**	**3,238**

Bond issue. On 7 December 2011, Uranium One Inc. issued ruble-denominated bonds with the aggregate principal amount of RUB 14,300 million in Russia. The bonds mature in 2016. The interest rate is fixed at 9.75 percent per annum, payable semi-annually from the date of issue. In connection with this offering, Uranium One entered into a RUB/USD cross currency interest rate swap agreement. The Swap has a USD fixed exchange rate of 1.00 USD = 30.855 RUB and results in a USD fixed interest rate of 6.74 percent. The amount of this agreement covers 80 percent of total amount of cash placed.The bonds are unsecured and non-convertible.

Uranium One Inc. convertible debenture issue. In March 2010, Uranium One Inc. issued convertible unsecured subordinated debentures for aggregate gross proceeds of RUB 8,208 million, including RUB 316 million taken up under an underwriters' over-allotment option. The bonds mature on 13 March 2015. The interest rate is fixed at 5 percent per annum, payable semi-annually. The debentures are convertible to common shares in Uranium One Inc. at a rate of 317.46 common shares per RUB 28,857 principal amount and have a conversion price of RUB 99 per common share.

Bank loans

The Group's major creditors were NORDEA Bank, Sberbank and Bank VTB.

Non-current loans received from state-related banks, maturing in 2014-2015, amounted to RUB 3,153 million as at the end of 2012. Interest rates were from 2.0 to 9.0 percent per annum for loans in roubles. The weighted average interest rate on rouble loans - 8.07 percent per annum.

Non-current loans borrowed by joint ventures, maturing in 2014-2024, amounted to RUB 3,768 million as at the end of 2012. Interest rates were from Libor + 0.369 percent to 8.5 percent for the loans.

Current loans received from banks amounted to RUB 4,605 million as at the reporting date. The weighted average interest rate was from 5.0 to 10.5 percent per annum for loans in foreign currency and from 2.0 to 9.2 percent per annum for loans in roubles. The weighted average interest rate on foreign currency loans – 5.51 percent per annum, the weighted average rate on rouble loans - 7.31 percent per annum.

Loans. In November 2010, the Group received two loans for a total of RUB 4,000 million from OJSC Atomenergoprom (one for RUB 2,000 million maturing on 12 November 2017, and one for RUB 2,000 million maturing on 12 November 2015). As at 31 December 2012 the loans amounted to RUB 4,000 million (31 December 2011: RUB 4,000 million).

During the year the Group received a short-term loan from OJSC Atomenergoprom in the amount of RUB 3,570 million. The amount of RUB 308 million was settled during the year.

The loans and borrowings have the following carrying amounts and fair values:

	Carrying amount at 31 December		Fair value at 31 December	
mln RUB	**2012**	**2011**	**2012**	**2011**
Uranium One Inc. convertible debenture issue	7,020	6,903	8,046	8,242
Bond issue	14,085	14,221	14,300	14,300
Loans from companies	9,176	4,759	9,428	5,407
Bank loans	11,929	16,665	13,063	16,697
Finance lease	367	597	367	597
Total loans and borrowings	**42,577**	**43,145**	**45,204**	**45,243**

Finance lease liabilities

Information on the minimum lease payments under finance leases and their discounted value is presented below:

mln RUB	**Minimum lease payments at 31 December**		**Interest**		**Amount of obligations at 31 December**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Up to one year	240	370	36	47	204	323
From 1 to 5 years	192	314	29	40	163	274
Total	**432**	**684**	**65**	**87**	**366**	**597**

25. Provisions

mln RUB	Employee benefits	Site restoration	Other	Total
Balance as at 1 January 2011	**487**	**2,210**	**1,955**	**4,652**
Additions due to acquisition of subsidiaries	-	1,348	-	**1,348**
Charge for the year	229	35	(277)	**(13)**
Changes due to management reassessment	-	2,434	-	**2,434**
Foreign currency translation differences	-	40	-	**40**
Balance as at 31 December 2011	**716**	**6,067**	**1,678**	**8,461**
Balance as at 1 January 2012	**716**	**6,067**	**1,678**	**8,461**
Charge for the year	369	476	446	**1,291**
Change in reserve as a result of renegotiation	-	915	-	**915**
Foreign currency translation differences	-	(170)	-	**(170)**
Balanee as at 31 December 2012	**1,085**	**7,288**	**2,124**	**10,497**

Site restoration provision

Before the 1 January 2011 the site restoration provision was calculated on the basis of the payment schedule up to 2053, which was based on an interpretation of the existing licence agreements and environmental legislation.

Change of estimates. As at 31 December 2011 based on the independent appraisal management has reassessed the following key assumptions underlying calculation of the site restoration provision: discount rate, timing of site restoration obligations and rehabilitation cost per unit. The effect of the reassessment was accounted for as at 31 December 2011 with no effect to profit and loss in 2011.

Other provisions consist of provision for contingencies in the amount of RUB 1,251 million (2011: RUB 1,249 million), reserves for encumbered contracts in the amount of RUB 516 million (2011: RUB 0 million), provision for historical costs in the amount of RUB 349 million (2011: RUB 428 million) and others.

26. Trade and other payables and accruals

Non-current payables

mln RUB	2012	2011
Cross-currency swap liability (Note 24)	-	525
Amount owed on a loan in the form of uranium concentrate	-	335
Other long-term payables	9	21
Total non-current payables	**9**	**881**

Short-term payables

mln RUB	2012	2011
Trade payables	3,853	4,829
Payables to personnel	363	293
Payables for shares of Gladstone PTE Ltd (Note 6)	549	647
Other payables	629	659
Total payables	**5,394**	**6,428**
Provision for future bonuses	749	333
Provision for unused vacation	500	176
Advances received	106	171
Other payables	532	571
Total short-term payables	**7,281**	**7,679**

Tax payables

mln RUB	2012	2011
VAT	498	623
Social insurance contributions	298	200
Mineral extraction tax payable	212	568
Property tax	50	47
Personal income tax	47	40
Land tax	17	17
Other taxes	54	53
Total tax payables	**1,176**	**1,548**

The Group's exposure to liquidity risk and currency risk related to payables is disclosed in Note 27.

27. Financial instruments and risk management

The risk management function within the Group is carried out in respect of financial risks (credit, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures of the Group to minimise these risks.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets. The Group's maximum exposure to credit risk by class of assets includes the following:

mln RUB	Note	31 December 2012	31 December 2011
Other non-current assets			
- Long-term loans issued	18	645	1,125
- Letter of credit	18	400	536
- Derivatives	18	268	-
- Other non-current assets	18	4	6
Other short-term financial investments			
- Other current assets	21	346	51
- Loans issued	21	1,641	2,098
Receivables			
- Trade receivables	20	8,004	5,146
- Other financial receivables	20	423	90
Cash and cash equivalents	22	17,104	22,694
Total maximum credit risk		**28,835**	**31,746**

Although payment of receivables is susceptible to economic factors, management believes there is no significant risk of losses exceeding the provision for impairment of receivables already provided for, as the majority of sales are attributable to companies under the control of Rosatom and external customers with positive credit history (Note 29).

Management conducts ageing analysis of financial receivables and follows up past due balances.

An analysis of the credit quality of receivables is as follows:

mln RUB	2012	2011
Total current and unimpaired	**8,423**	**5,236**
Past due but unimpaired		
- less than 30 days overdue	-	-
- 30 to 90 days overdue	-	-
- 90 to 180 days overdue	4	-
Total past due but unimpaired	**4**	**-**
Individually defined as doubtful (total amount)		
- 90 to 180 days overdue	4	-
- 180 to 360 days overdue	52	124
- more than 360 days overdue	125	53
Total individually defined as doubtful	**181**	**177**
Less provision for doubtful receivables	(181)	(177)
Total	**8,427**	**5,236**

Cash is deposited with financial institutions that have minimum default risk at the time the account is opened. Majority of the Group's cash is held with OJSC Gazprombank and ABN AMRO Bank.

Analysis of the credit quality of the bank balances and short-term bank deposits at the end of the reporting period is shown in the table below (Standard and Poor's Rating):

mln RUB Cash	2012	2011
AA-	2,770	63
A+	3,171	8,781
A	121	-
BBB	561	3,224
BBB-	2,888	3
BB-	29	-
B+	70	-
B	34	-
No rating	84	302
	9,728	**12,373**

The Group does not have significant credit risk arising from issued loans and promissory notes, since the majority of the loans are issued to associates and jointly controlled entities or companies with good credit history.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 50 percent (2011: 55 percent) of the Group's revenue is attributable to sales transactions with a single customer - OJSC Techsnabexport, a related party. However, geographically there is no concentration of credit risk.

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

mln RUB	**2012**	**2011**
Domestic	3,371	1,659
Other CIS countries	3,355	3,005
USA and Canada	1,686	371
Other European countries	12	1
Other regions	3	200
Total	**8,427**	**5,236**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group also keeps targeted current ratio (total current assets divided by total current liabilities) at the level not lower than 1. The actual current ratio was 2.46 as at 31 December 2012 (31 December 2011: 3.64).

The table below provides an analysis of the Group's liabilities by maturity. The outstanding amount represents contractual undiscounted cash flows.

2012

mln RUB	Carrying amount	Contractual cash flows	Less than 1 year	From 1 to 2 years	From 2 to 5 years
Loans and borrowings received	42,210	44,340	10,236	1,248	32,856
Finance lease	367	432	240	-	192
Payables	5,403	5,403	5,394	-	9
Other	12,384	12,384	1,887	-	10,497
TOTAL	**60,364**	**62,559**	**17,757**	**1,248**	**43,554**
2011					
Loans and borrowings received	42,548	45,136	4,315	8,778	32,043
Finance lease	597	684	370	-	314
Payables	7,309	7,309	6,428	-	881
Other	9,715	9,715	1,254	-	8,461
TOTAL	**60,169**	**62,844**	**12,367**	**8,778**	**41,699**

At 31 December 2012, RUB 7,065 million had been drawn down under lines of credit (2011: RUB 3,617 million), and RUB 13,341 million was unused (2011: RUB 5,259 million). To manage liquidity risk the Group applies a policy of retaining financial assets for which there is an active market and which can be readily converted in case of necessity to maintain liquidity by means of:

- planning and control over expenditures and cash flows;
- fixing terms of payment in agreements.

The Group has contractual commitments to purchase property, plant and equipment (Note 28).

Market risk

Market risk is the risk that changes in the market price for uranium will affect the Group's future performance and operating results. A fall in prices may lead to a decrease in net profit margin and cash flows. Low long-term price levels may lead to a downscaling of uranium mining and sales activity and may ultimately affect the Group's ability to meet its contractual obligations. The Group regularly performs scenarios analyses of future uranium price fluctuations and their impact on operational and investment decisions.

The Group's general strategy for uranium mining and sales is implemented on a centralised basis through:

- entering into long-term agreements;
- optimization of orders' portfolio;
- implementing cost-cutting measures;
- using up-to-date uranium mining and refining technologies;
- geographical diversification of mining.

Currency risk

In respect of currency risk, management sets limits on the level of risk exposure by currency and in total, which are monitored on monthly basis. The table below provides a general analysis of the Group's currency exchange rate risk at the reporting date:

2012	**RUB-denominated**	**USD-denominated**	**EUR-denominated**	**KZT-denominated**	**CAD-denominated**	**AUD-denominated**	**GBP-denominated**
Assets	-	20,930	418	290	114	267	13
Liabilities	(14,300)	(16,261)	(425)	(862)	(8,298)	(24)	-
Derivatives	11,440						
Net exposure	**(2,860)**	**4,669**	**(7)**	**(572)**	**(8,184)**	**243**	**13**
2011							
Assets	-	22,086	24	2,898	887	-	-
Liabilities	(14,825)	(9,257)	(1,633)	(1,362)	(8,740)	-	-
Derivatives	11,860						
Net exposure	**(2,965)**	**12,829**	**(1,609)**	**1,536**	**(7,853)**	-	-

Sensitivity analysis

mln RUB	Strengthening	Weakening
31 December 2012		
USD (10% movement)	467	(467)
EUR (10% movement)	(1)	1
KZT (10% movement)	(57)	57
CAD (10% movement)	(818)	818
AUD (10% movement)	24	(24)
GBP (10% movement)	1	(1)
RUB (10% movement)	(286)	286
31 December 2011		
USD (10% movement)	1,283	(1,283)
EUR (10% movement)	(161)	161
KZT (10% movement)	154	(154)
CAD (10% movement)	(785)	785
RUB (10% movement)	(296)	296

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group issues loans and receives borrowings in US dollars, Kazakhstani tenge, Canadian dollars and euros under fixed and variable LIBOR-based interest rates.

The Group hedges its foreign currency and interest rate risks (Note 24).

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

mln RUB	Carrying amount	
	2012	**2011**
Fixed rate instruments		
Financial assets	2,286	3,223
Financial liabilities	(36,219)	(39,334)
	(33,933)	**(36,111)**
Variable rate instruments		
Financial liabilities	(5,992)	(3,214)
	(5,992)	**(3,214)**

At 31 December 2012, the one-month, three-month and six-month LIBOR rates on loans in US dollars were 0.2087, 0.3060 and 0.5083 percent respectively (compared to one-month, three-month and six-month LIBOR rates of 0. 2953, 0.5810 and 0.8085 percent respectively in 2011). Had the LIBOR rate been 10 basis points higher on 31 December 2012, with other conditions unchanged, the Group's additional expense would have amounted to RUB 2 million (compared to RUB 2 million in 2011).

The Group takes the following steps to reduce interest rate risk:

- monitoring the lending market to identify favourable lending conditions;
- diversifying its loan portfolio by taking out loans at fixed and variable interest rates.

Fair value of financial instruments

A reconciliation of the carrying amounts and fair values of the financial instruments follows:

mln RUB	Note	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total carrying amount	Fair value
31 December 2012						
Cash and cash equivalents	22	-	17,104	-	17,104	17,104
Trade and other receivables	20, 21	-	8,427	346	8,773	8,773
Loans given	18, 21	-	2,286	-	2,286	2,286
Deposits and letters of credit	18	400	-	-	400	400
Derivative financial instruments	18	-	-	268	268	268
TOTAL FINANCIAL ASSETS		**400**	**27,817**	**614**	**28,831**	**28,831**
Bank loans	24	11,930	-	-	11,930	13,063
Bonds	24	-	-	21,105	21,105	22,346
Company loans	24	-	-	9,176	9,176	9,428
Finance lease obligations	24	-	-	366	366	366
Trade and other payables	26	-	-	4,845	4,845	4,845
Other	26	-	-	558	558	558
TOTAL FINANCIAL LIABILITIES		**11,930**	-	**36,050**	**47,980**	**50,606**

mln RUB	Note	Held-to-maturity	Loans and receivables	Other financial assets / liabilities	Total carrying amount	Fair value
31 December 2011						
Cash and cash equivalents	22	-	22,694	-	22,694	22,694
Trade and other receivables	20, 21	-	5,236	51	5,287	5,287
Loans given	18, 21	-	3,223	-	3,223	3,223
Deposits and letters of credit	18	536	-	-	536	536
TOTAL FINANCIAL ASSETS		**536**	**31,153**	**51**	**31,740**	**31,740**
Bank loans	24	16,665	-	-	16,665	16,697
Bonds	24	-	-	21,124	21,124	22,542
Company loans	24	-	-	4,759	4,759	5,407
Finance lease obligations	24	-	-	597	597	597
Trade and other payables	26	-	-	5,781	5,781	5,781
Other	26	-	-	1,528	1,528	1,529
TOTAL FINANCIAL LIABILITIES		**16,665**	-	**33,789**	**50,454**	**52,553**

Interest rates used for determining fair value

To determine the present value of cash flows as part of determining fair value, the following interest rates were used:

	2012	2011
Derivatives	6.74%-9.75%	6.74%-9.75%
Loans and borrowings	2%-10.5%	4.05%-11%
Leases	1.07%-16.16%	2.25%-15%

Fair value hierarchy

The Group does not perform analysis of financial instruments carried at fair value by different levels as the total amount of such instruments is not significant except for bonds issued, described in Note 24.

Capital management

The Group's key capital management objectives are in compliance with Russian legislation and its policy on reducing cost of capital.

Russian law sets out the following capital requirements for joint-stock companies:

- Share capital shall not be less than 1,000 minimum shares as at the date of entity's registration;
- If share capital exceeds the entity's net assets under Russian Accounting Standards (RAS), the entity shall decrease its share capital to the amount of its net assets;
- If the minimal authorised share capital exceeds the entity's net assets under RAS over the period of 2 years, the entity shall be liquidated.

As at 31 December 2012, the Group met share capital requirements listed above.

28. Commitments and contingencies

Political environment. The operations and earnings of the entities in the Group are, from time to time and in varying degrees, affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation, Kazakhstan and other jurisdictions where the Group's subsidiaries operate.

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

Legal proceedings. The entities in the Group are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a significant adverse effect on the position of the Group.

Taxation contingencies in the Russian Federation and Kazakhstan. The taxation system in the Russian Federation and Kazakhstan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years for Russian Federation and five subsequent calendar years for Kazakhstan; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation and Kazakhstan suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation and Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian and Kazakh tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Capital commitments. At 31 December 2012, the Group had contractual obligations on the purchase of non-current assets for a total consideration of RUB 8,463 million (2011: RUB 6,220 million). The Group's management already has the necessary funding to cover the commitments. The Group's management believes that future net income and funding will be sufficient to cover this and any similar commitments.

Guarantees. The Group has no significant outstanding guarantees issued as at 31 December 2012 and 31 December 2011.

29. Related-party transactions

The Company's ultimate controlling party is the Government of the Russian Federation acting on behalf of Rosatom. Information on the ultimate controlling party of the Company is disclosed in Note 1.

State-controlled entities other than Rosatom. In its day-to-day operations, the Group engages in transactions with entities controlled by the state (the Russian Federation).

The balances with these state-controlled entities (other than Rosatom) are presented below:

mln RUB	**31 December 2012**	**31 December 2011**
Call deposits	3,393	2,586
Trade receivables	116	15
Advances issued	59	74
Other receivables	311	56
Total assets	**3,879**	**2,731**
Loans received	4,405	8,981
Trade payables	11	29
Advances received	252	13
Other payables	57	3
Total liabilities	**4,725**	**9,026**

Information on transactions with state-controlled entities (other than Rosatom) is presented below:

mln RUB	2012	2011
Revenue		
Sale of electricity and heat	87	-
Sale of coal	22	-
Other revenue	16	-
Total revenues	**125**	-
Cost of sales		
Raw and other materials and goods	(151)	(3)
Third-party services	(53)	(101)
Rent	(8)	-
Utilities	(5)	-
Other expenses	(21)	(4)
Total cost of products sold	**(238)**	**(108)**

Administrative and distribution expenses	2012	2011
Rent	(2)	(10)
Other expenses, net	-	(36)
Total administrative and distribution expenses	**(2)**	**(46)**
Finance costs and income		
Interest income	106	427
Interest expenses	(118)	(242)
Total finance costs and income	**(12)**	**185**
Other income and expenses		
Other income	8	-
Other expenses	-	(7)
Total other income and expenses	**8**	**(7)**

Subsidiaries and affiliates of Rosatom and associates and jointly controlled entities of the Company. The relationships with Rosatom, its subsidiaries and affiliates, as well as associates and jointly controlled entities of the Company, that the Group has entered into significant transactions with or has significant balances as at 31 December 2012 and 2011 are presented below:

mln RUB	31 December 2012	31 December 2011
Trade receivables	585	46
Advances issued, including those issued for acquisition of non-current assets	2,177	64
Loans given	1,560	1,598
Other receivables	27	130
Total assets	**4,349**	**1,838**
Loans received	8,135	4,027
Trade payables	94	62
Contribution from shareholders	-	5,259
Other payables	5	-
Total liabilities	**8,234**	**9,348**

The income and expense items stemming from transactions with related parties for the years ended 31 December 2012 and 31 December 2011 were as follows:

mln RUB	2012	2011
Revenue		
Sales of uranium	27,972	24,625
Sales of R&D services	115	381
Other revenue	23	3
Total revenues	**28,110**	**25,009**
Purchases		
Raw and other materials and goods	(349)	(791)
Other expenses	(22)	(103)
Total purchases	**(371)**	**(894)**
Administrative and distribution expenses	(96)	(40)
Total administrative and distribution expenses	**(96)**	**(40)**
Finance income and costs		
Interest income	129	-
Interest expenses	(415)	(327)
Finance income and costs	**(286)**	**(327)**
Other income and expenses		
Other income	-	(1)
Total other income and expenses	**-**	**(1)**

Key personnel management transactions. Information on remuneration to key management personnel is presented in the table below:

mln RUB	2012	2011
Salary	76	109
Short-term bonuses	63	93
Total	**139**	**202**

30. Events subsequent to the reporting date

Acquisition of Uranium One Inc. In January 2013 the Company signed an agreement with Uranium One Inc. to acquire 48.58 percent of ordinary shares of Uranium One Inc., the group's subsidiary, for a cash consideration of CAD 2.86 per share. Under the agreement the Company will pay the non-controlling shareholders RUB 39,703 million (CAD 1,300 million). On 7 March 2013 the deal was approved at the extra ordinary general meeting of the shareholders of Uranium One Inc. and is planned to be completed in the second - third quarter of 2013.

Entry into a consolidated group of taxpayers (CTG). In accordance with amendments to Part I of the Tax Code of RF, as amended by Federal Law of RF № 321-FZ, dated 16 November 2011, starting from 1 January 2013 the Company and some of its subsidiaries (OJSC PIMCU, CJSC Dalur, OJSC Khiagda, CJSC Rusburmash) became part of the Consolidated Taxpayers' Group (CTG), consisting of 34 members. OJSC Atomenergoprom is CTG's is responsible member. The management believes that the entry into CTG will not result in significant changes in the tax burden for the Group for the purposes of these consolidated financial statements.

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Алтухов К.В.
Директор ЗАО «КПМГ»

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО * МОСКВА * КПМГ KPMG