Polyus Gold International Limited

Consolidated financial statements for the year ended 31 December 2013

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Consolidated income statement for the year ended 31 December
(in thousands of US Dollars, except for earnings per share data)

	Notes	2013	2012*
Continuing operations			
Gold sales	7	2,258,599	2,618,024
Other sales		70,316	61,889
Total revenue		**2,328,915**	**2,679,913**
Cost of gold sales	8	(1,346,523)	(1,265,306)
Cost of other sales		(47,042)	(43,832)
Gross profit		**935,350**	**1,370,775**
Gain on disposal of subsidiaries	5.3	-	6,268
Selling, general and administrative expenses	9	(225,795)	(255,705)
Other (expenses) / income, net	10	(13,528)	12,184
Impairment losses	11	(471,657)	(15,424)
Research expenses		(2,499)	(2,079)
Gain on loan settlement		-	79,084
Operating profit		**221,871**	**1,195,103**
Finance costs	12	(13,878)	(31,573)
Income from investments, net	13	21,348	35,960
Foreign exchange gain		4,348	12,026
Profit from continuing operations before income tax		**233,689**	**1,211,516**
Income tax expense	14	(90,688)	(246,412)
Profit from continuing operations		**143,001**	**965,104**
Profit from discontinued operations	5.1	6,374	15,422
Profit for the year		**149,375**	**980,526**
Profit for the year from continuing operations attributable to:			
Shareholders of the Company		133,860	922,066
Non-controlling interests		9,141	43,038
		143,001	**965,104**
Profit / (loss) for the year from discontinued operations attributable to:			
Shareholders of the Company		6,414	7,613
Non-controlling interests		(40)	7,809
		6,374	**15,422**
Weighted average number of ordinary shares in issue during the year (‘000s)		3,032,150	2,950,916
Earnings per share (US Cents) from continuing operations, basic and diluted**		4	31
Earnings per share (US Cents) from discontinued operations, basic and diluted**		0	0

* The comparative information for the year ended 31 December 2012 reflects adjustments made in connection with the presentation of the effect of discontinued operations following the sale of operating subsidiaries in Kazakhstan and Kyrgyzstan (note 5).

** There were no financial instruments or any other instances which could cause antidilutive effect on earnings per share calculation.

Polyus Gold International Limited

Consolidated statement of comprehensive income for the year ended 31 December
(in thousands of US Dollars)

	2013	2012*
Profit for the year	**149,375**	**980,526**
Items that may be reclassified subsequently or already reclassified to profit or loss:		
Loss from change in fair value of available-for-sale investments	-	(3,976)
Losses recycled to profit or loss on disposal of available-for-sale investments	-	(581)
	-	**(4,557)**
Items that will not be reclassified subsequently through profit or loss:		
Effect of translation to presentation currency	(318,998)	200,568
Other comprehensive (loss) / income for the year	**(318,998)**	**196,011**
Total comprehensive (loss) / income for the year	**(169,623)**	**1,176,537**
Total comprehensive (loss) / income for the year from continuing operations attributable to:		
Shareholders of the Company	(184,774)	1,100,576
Non-controlling interests	8,777	60,539
	(175,997)	**1,161,115**
Total comprehensive income **/** (loss) for the year from discontinued operations attributable to:		
Shareholders of the Company	6,414	7,613
Non-controlling interests	(40)	7,809
	6,374	**15,422**

* The comparative information for the year ended 31 December 2012 reflects adjustments made in connection with the presentation of the effect of discontinued operations following the sale of operating subsidiaries in Kazakhstan and Kyrgyzstan (note 5).

Polyus Gold International Limited

Consolidated statement of financial position at 31 December
(in thousands of US Dollars)

Assets	Notes	2013	2012
Non-current assets			
Property, plant and equipment*	15	1,505,649	1,801,780
Capital construction-in-progress*	16	277,950	363,025
Mine under development*	17	1,574,261	623,568
Exploration and evaluation assets*	18	174,586	518,810
Investments in securities and other financial assets	19	1,765	16,034
Inventories	20	294,912	242,005
		3,829,123	**3,565,222**
Current assets			
Investments in securities and other financial assets	19	48,233	78,360
Inventories	20	702,115	659,480
Deferred expenditures	21	16,330	19,090
Trade and other receivables	22	27,440	45,369
Advances paid to suppliers and prepaid expenses		27,701	40,619
Taxes receivable	23	249,724	220,835
Cash and cash equivalents	24	808,675	959,932
		1,880,218	**2,023,685**
Total assets		**5,709,341**	**5,588,907**
Equity and liabilities			
Capital and reserves			
Share capital	25	482	482
Additional paid-in capital	25	2,151,765	2,151,765
Translation reserve		(395,318)	(76,684)
Retained earnings		1,922,264	2,110,869
Equity attributable to shareholders of the Company		**3,679,193**	**4,186,432**
Non-controlling interests		275,279	282,645
		3,954,472	**4,469,077**
Non-current liabilities			
Site restoration and environmental obligations	26	68,546	119,150
Borrowings	27	936,893	160,792
Deferred tax liabilities	28	134,416	208,998
Other non-current liabilities		32,969	25,695
		1,172,824	**514,635**
Current liabilities			
Borrowings	27	268,693	187,555
Trade, other payables and accrued expenses	29	260,377	289,846
Taxes payable	30	52,975	127,794
		582,045	**605,195**
Total liabilities		**1,754,869**	**1,119,830**
Total equity and liabilities		**5,709,341**	**5,588,907**

* The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as of 31 December 2012 have been re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of use. For details, refer to note 2.

Polyus Gold International Limited

Consolidated statement of changes in equity for the year ended 31 December
(in thousands of US Dollars)

	Notes	Number of outstanding shares, (thousands)	Equity attributable to shareholders of the Company: Share capital	Additional paid-in capital	Treasury shares	Investments revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
Balance at 31 December 2011		**2,805,190**	**482**	**2,189,240**	**(765,013)**	**4,557**	**(259,751)**	**1,438,992**	**2,608,507**	**236,029**	**2,844,536**
Profit for the year		-	-	-	-	-	-	929,679	**929,679**	50,847	**980,526**
Other comprehensive (loss) / income		-	-	-	-	(4,557)	183,067	-	**178,510**	17,501	**196,011**
Total comprehensive income		**-**	**-**	**-**	**-**	**(4,557)**	**183,067**	**929,679**	**1,108,189**	**68,348**	**1,176,537**
Sale of treasury shares		226,960	-	-	727,538	-	-	(133,484)	**594,054**	30,318	**624,372**
Transfer of balance relating to call option		-	-	(37,475)	37,475	-	-	-	**-**	-	**-**
Dividends declared to shareholders of the Company	25	-	-	-	-	-	-	(124,318)	**(124,318)**	-	**(124,318)**
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	**-**	(52,050)	**(52,050)**
Balance at 31 December 2012		**3,032,150**	**482**	**2,151,765**	**-**	**-**	**(76,684)**	**2,110,869**	**4,186,432**	**282,645**	**4,469,077**
Profit for the year		-	-	-	-	-	-	140,274	**140,274**	9,101	**149,375**
Other comprehensive loss		-	-	-	-	-	(318,634)	-	**(318,634)**	(364)	**(318,998)**
Total comprehensive income		-	-	-	-	-	**(318,634)**	**140,274**	**(178,360)**	**8,737**	**(169,623)**
Effect of disposal of subsidiaries	5.2	-	-	-	-	-	-	(8,684)	**(8,684)**	8,684	**-**
Dividends declared to shareholders of the Company	25	-	-	-	-	-	-	(320,195)	**(320,195)**	-	**(320,195)**
Dividends declared to non-controlling interests		-	-	-	-	-	-	-	**-**	(24,787)	**(24,787)**
Balance at 31 December 2013		**3,032,150**	**482**	**2,151,765**	**-**	**-**	**(395,318)**	**1,922,264**	**3,679,193**	**275,279**	**3,954,472**

Polyus Gold International Limited

Consolidated statement of cash flows for the year ended 31 December
(in thousands of US Dollars)

	Notes	2013	2012
Profit from continuing operations before income tax		**233,689**	**1,211,516**
Adjustments for:			
Gain from disposal of subsidiaries	5.3	-	(6,268)
Impairment losses	11	471,657	15,424
Finance costs	12	13,878	31,573
Income from investments	13	(21,348)	(35,960)
Amortisation and depreciation	15	213,834	175,115
Gain on loan settlement		-	(79,084)
Foreign exchange gain, net		(4,348)	(12,026)
Other		2,210	37,498
		909,572	**1,337,788**
Movements in working capital			
Inventories		(245,862)	(99,159)
Deferred expenditures		1,425	521
Trade and other receivables		11,563	(19,591)
Advances paid to suppliers and prepaid expenses		(6,086)	(6,480)
Taxes receivable		(32,255)	(76,177)
Trade and other payables and accrued expenses		16,057	(3,823)
Other non-current liabilities		8,991	4,044
Taxes payable		(36,981)	17,701
Cash flows from operations		**626,424**	**1,154,824**
Interest paid		(32,271)	(27,613)
Income tax paid		(174,527)	(191,844)
Net cash generated from continuing operations		419,626	935,367
Net cash generated from discontinued operations		2,713	56,402
Net cash generated from operating activities		**422,339**	**991,769**
Investing activities			
Proceeds from subsidiaries' disposal, net of cash disposed (USD 6,083 thousand of cash disposed during 2013; 2012:USD 1,258 thousand)	5.2, 5.3	291,199	20,973
Purchases of capital construction-in-progress, exploration and evaluation assets and assets for mine under development		(1,347,217)	(713,089)
Payments for stripping activity asset		(37,075)	(81,802)
Interest received		31,036	35,942
Increase in bank deposits		(147,485)	(58,265)
Proceeds from redemption of bank deposits and sale of investments		185,995	26,066
Other		3,660	2,692
Proceeds from termination of sale and purchase agreement		-	40,647
Net cash utilised in continuing operations		(1,019,887)	(726,836)
Net cash utilised in discontinued operations		(3,494)	(36,953)
Net cash utilised in investing activities		**(1,023,381)**	**(763,789)**
Financing activities			
Dividends paid to shareholders of the Company	25	(320,195)	(124,318)
Dividends paid to non-controlling interests		(42,967)	(47,547)
Proceeds from borrowings		1,092,617	273,467
Repayment of borrowings		(236,233)	(674,542)
Proceeds from sale of treasury shares		-	624,372
Net cash generated from continuing operations		493,222	51,432
Net cash utilised in discontinued operations		-	(15,460)
Net cash generated from financing activities		**493,222**	**35,972**
Net (decrease) / increase in cash and cash equivalents		**(107,820)**	**263,952**
Cash and cash equivalents at beginning of the year	24	**959,932**	**657,448**
Effect of foreign exchange rate changes on cash and cash equivalents		(43,437)	38,532
Cash and cash equivalents at end of the year	24	**808,675**	**959,932**

1. General

Polyus Gold International Limited (the "Company") was incorporated on 26 September 2005 and re-registered as a public limited company under Companies (Jersey) Law 1991 on 18 November 2005.

On 19 June 2012, the Company was admitted to the Official List of the United Kingdom Listing Authority and commenced trading on the London Stock Exchange's premium listed market.

The principal activities of the Company and its controlled entities (the "Group") are the extraction, refining and sale of gold. Mining and processing facilities of the Group are located in the Krasnoyarsk and Irkutsk regions and Sakha Republic of the Russian Federation (and in the Republic of Kazakhstan until February 2013).

The Group also performs research, exploration and development works, primarily at the Natalka licence area located in the Magadan region. Further details regarding the nature of the business and of the significant subsidiaries of the Group are presented in note 35.1.

2. Basis of preparation and presentation

Going concern

In assessing its going concern status, the Directors have taken account of the Group's financial position, expected future trading performance, its borrowings and available credit facilities and its capital expenditure commitments, considerations of gold price, together with other risks facing the Group. After making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing these consolidated financial statements and that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

Compliance with the International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU"). IFRS includes the standards and interpretations approved by the IASB including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The entities of the Group maintain their accounting records in accordance with the laws, accounting and reporting regulations of the jurisdiction in which they are incorporated and registered. The accounting principles and financial reporting procedures in these jurisdictions may differ substantially from those generally accepted under IFRS as adopted by the EU. Accordingly, such financial information has been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS as adopted by the EU.

The consolidated financial statements of the Group are prepared on the historical cost basis.

(in thousands of US Dollars)

2. Basis of preparation and presentation (continued)

The following new or amended IFRS standards have been issued by the IASB and endorsed by the EU as of 31 December 2013:

Title	Subject	Effective for annual periods beginning on or after	Effect on the consolidated financial statements in current and / or future periods
Amendments to IAS 1 (June 2011)	Presentation of Items of Other Comprehensive Income	1 July 2012	Presentation of the Consolidated statement of comprehensive income was updated to present: - items that will not be reclassified subsequently to profit or loss, and - items that may be reclassified subsequently to profit or loss when specific conditions are met.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	Early adopted in 2012
Annual Improvements to IFRSs: 2009-2011 Cycle (May 2012)	Annual Improvements to IFRSs: 2009-2011 Cycle	1 January 2013	Adopted. No effect.
Amendments to IFRS 1 (March 2012)	Government Loans	1 January 2013	Adopted. No effect.
Amendments to IFRS 7 (Dec 2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	Adopted. No effect.
IAS 19 (revised June 2011)	Employee Benefits	1 January 2013	Adopted. No effect.
Amendments to IAS 12 (Dec 2010)	Deferred Tax: Recovery of Underlying Assets	1 January 2013	Adopted. No effect.
Amendments to IFRS 1 (Dec 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 January 2013	Adopted. No effect.
IFRS 13	Fair Value Measurement	1 January 2013	Additional disclosure of fair value hierarchy was presented (note 33).
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	Early adopted. Additional disclosure of information on non-controlling interests was presented (note 35).
Amendments to IAS 39 (Jun 2013)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	Management is currently assessing the impact.
Amendments to IAS 36 (May 2013)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	Management is currently assessing the impact.
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012)	Investment Entities	1 January 2014	Management is currently assessing the impact.
Amendments to IAS 32 (Dec 2011)	Offsetting Financial Assets and Financial Liabilities	1 January 2014	Management is currently assessing the impact.
IFRS 11	Joint Arrangements	1 January 2014	Management is currently assessing the impact.
IFRS 10	Consolidated Financial Statements	1 January 2014	Management is currently assessing the impact.
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures	1 January 2014	Management is currently assessing the impact.
IAS 27 (revised May 2011)	Separate Financial Statements	1 January 2014	Management is currently assessing the impact.

(in thousands of US Dollars)

2. Basis of preparation and presentation (continued)

Re-presentation of long-lived physical assets as of 31 December 2012

The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as of 31 December 2012 have been re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of use:

- items of Property, plant and equipment and Capital construction-in-progress used in construction of a mine not yet at the production stage (Natalka) were re-presented in a new caption line “Mine under development”;
- items of Property, plant and equipment and Capital construction-in-progress used in exploration and evaluation activities were re-presented within reporting line “Exploration and evaluation assets”.

The re-presentation of the previously reported long-lived physical assets as of 31 December 2012 is as follows:

	As previously reported	Re-presentation of long-lived physical assets	As restated
Property, plant and equipment	2,216,637	(414,857)	1,801,780
Capital construction-in-progress	623,277	(260,252)	363,025
Mine under development	-	623,568	623,568
Exploration and evaluation assets	467,269	51,541	518,810
Total	**3,307,183**	**-**	**3,307,183**

3. Significant accounting policies

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group incorporate the financial statements of the Company and all its subsidiaries, from the date that control effectively commenced until the date that control effectively ceased. Control is achieved where the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

3. Significant accounting policies (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company gains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interests in consolidated subsidiaries are identified separately from the Group's equity therein. The non-controlling interest may initially be measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of the non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in net assets since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit and loss on disposal is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

All intra-group balances, transactions and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

(in thousands of US Dollars)

3. Significant accounting policies (continued)

Functional currency

The individual financial statements of the Group's subsidiaries are each prepared in their respective functional currencies. The functional currency of the Company is the US Dollar. The Russian Rouble ("RUB") is the functional currency of all the subsidiaries of the Group, except for the following subsidiaries operating with significant degrees of autonomy:

Subsidiaries	**Functional currency**
Jenington International Incorporated	US Dollar
Polyus Exploration Limited	US Dollar
Polyus Investments Limited	US Dollar

3.2 Presentation currency

The Group presents its consolidated financial statements in the US Dollar ("USD"), as management believes it is a more convenient presentation currency for international users of the consolidated financial statements of the Group as it is a common presentation currency in the mining industry. The translation of the financial statements of the Group entities from their functional currencies to the presentation currency is performed as follows:

- all assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting date;
- all income and expenses are translated at the average exchange rates for the years presented, except for significant transactions that are translated at rates on the date of such transactions;
- resulting exchange differences are included in equity and presented as Effect of translation to presentation currency within the Translation reserve; and
- in the statement of cash flows, cash balances at the beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the years presented, except for significant transactions that are translated at rates on the date of transaction.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	2013	**2012**	**2011**
Russian Rouble/US Dollar			
Year end rate	32.73	30.37	32.20
Average for the year	31.85	31.09	29.39

3.3 Foreign currencies

Transactions in currencies other than the entity's functional currencies (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Exchange differences arising from changes in exchange rates are recognised in the consolidated income statement.

3. Significant accounting policies (continued)

3.4 Revenue recognition

Gold sales revenue

Revenue from the sale of refined gold and other gold-bearing products is recognised when the risks and rewards of ownership are transferred to the buyer, the Group retains neither a continuing degree of involvement or control over the goods sold, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue from gold doré sales is recognised at the time of shipment from the refining plant when the Group has received confirmation of sale to the third party. Revenue from gold-bearing products is recognised when the goods have been delivered to a contractually agreed location. Gold sales are stated at their invoiced value net of value-added tax.

Other revenue

Other revenue comprises mainly sales of electricity, transportation, handling and warehousing services, and other. Revenue from the sale of electricity is recognised when a contract exists, delivery has taken place, a quantifiable price has been established or can be determined and the receivables are likely to be recovered. Delivery takes place when the risks and benefits associated with ownership are transferred to the buyer. Revenue from service contracts is recognised when the services are rendered.

3.5 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with the laws of countries where the Group operates.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Significant accounting policies (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated income statement, except when they relate to items that are recognised outside the consolidated income statement, in which case the tax is also recognised outside the consolidated income statement, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.6 Operating leases

The leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Costs for operating leases are recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

3.7 Dividends

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and become legally payable.

Retained earnings legally distributable by the Company are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual subsidiaries of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

3.8 Property, plant and equipment

Mineral rights

Mineral rights are recorded as assets upon acquisition at fair value and are included within Mining assets, Capital construction-in-progress, Mines under development or Exploration and evaluation assets.

Mining assets

Mining assets are recorded at cost less accumulated amortisation. Mining assets include the cost of acquiring and developing mining properties, pre-production expenditure and mine infrastructure, processing plant, mineral rights and mining and exploration licences and the present value of future decommissioning costs.

3. Significant accounting policies (continued)

Mining assets are amortised on a straight-line basis over the estimated economic useful life of the asset, or the remaining useful life of mines of 7 to 16 years per mine operating plans, which call for production from estimated proven and probable ore reserves under the Russian Resource Reporting Code, whichever is shorter. Amortisation is charged from the date a new mine reaches commercial production quantities and is included in the cost of production.

The estimated remaining useful lives of the Group's significant mines based on the mine operating plans are as follows:

Olimpiada	14 years
Blagodatnoye	16 years
Kuranakh	10 years
Verninskoye	11 years

Non-mining assets

Non-mining assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the economic useful lives of such assets:

Building, structures, plant and equipment	5-50 years
Transport	3-11 years
Other assets	3-10 years

Stripping activity asset

Stripping costs incurred during the production phase are considered to create two benefits, being either the production of inventory in the current period and/or improved access to the ore to be mined in the future. Where production stripping costs are incurred and the benefit is improved access to ore to be mined in the future, the costs are recognised as a stripping activity asset, if the following criteria are met:

- future economic benefits (being improved access to the ore body) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If not all of the criteria are met, the production stripping costs are included in the cost of inventory which are expensed in the consolidated income statement as cost of gold sales as they are sold.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The costs associated with incidental operations are not included in the costs of stripping activity asset.

The Group uses an allocation basis that is based on volumes of waste extracted compared with expected volumes of ore extracted from a specific component of the ore body to allocate stripping costs between inventory and the stripping activity asset in accordance with the Group's mine operating plans. Production forecasts included in the mine operating plans are based on estimated proven and probable ore reserves under the Russian Resource Reporting Code.

The stripping activity asset is accounted for as a part of property, plant and equipment and subsequently depreciated using the straight-line method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. After initial recognition the stripping activity asset is carried at cost less depreciation and any impairment losses.

In 2014, the Group is planning to adopt the unit of production method to depreciate the stripping activity asset if there is a material divergence in the expected future depreciation charge when compared to the straight-line method.

3. Significant accounting policies (continued)

3.9 Capital construction-in-progress

Assets under construction at operating mines are accounted for as capital construction-in-progress. The cost of capital construction-in-progress comprises its purchase price and any directly attributable costs to bringing it into working conditions for its intended use.

Capital construction-in-progress is not depreciated.

When the capital construction-in-progress has been completed and in a condition necessary for them to be capable of operating in the manner intended by management, the objects are reclassified to mining assets.

3.10 Mines under development

Comprises amounts related to new mines development and includes the costs directly related to mine development projects such as acquiring and developing mining properties, pre-production expenditure, construction of processing plant and mine infrastructure, mineral rights and mining and exploration licences and the present value of future decommissioning costs.

3.11 Finance costs directly attributable to the construction of qualifying assets

Finance costs directly attributable to the construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation.

All other finance costs are recognised in the consolidated income statement in the period in which they are incurred.

3.12 Impairment of long-lived tangible assets (Property, plant and equipment, Capital construction-in-progress and Mines under development)

An impairment review of long-lived tangible assets is carried out when there is an indication that those assets have suffered an impairment loss. If any such indication exists, the carrying amount of the asset is compared to the estimated recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value-in-use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognised in the consolidated income statement immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the original carrying amount that would have been determined had no impairment loss been recognised in prior periods.

A reversal of an impairment loss is recognised in the consolidated income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (continued)

3.13 Exploration and evaluation assets

Exploration and evaluation assets represent capitalised expenditures incurred by the Group in connection with the exploration for and evaluation of gold resources, such as:

- acquisition of rights to explore potentially mineralised areas;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting gold resource.

Exploration and evaluation expenditures are capitalised when the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable gold resources. When the technical feasibility and commercial viability of extracting a gold resource are demonstrable and a decision has been made to develop the mine, capitalised exploration and evaluation assets are reclassified to Mines under development.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among others, indicate that exploration and evaluation assets must be tested for impairment:

- the term of the exploration licence in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to occur, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration licence areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of tangible assets set out above.

3. Significant accounting policies (continued)

3.14 Inventories

Refined gold, ore stockpiles and gold-in-process

Inventories including refined metals, doré, metals in concentrate and in process and ore stockpiles are stated at the lower of production cost or net realisable value. Production cost is determined as the sum of the applicable expenses incurred directly or indirectly in bringing inventories to their existing condition and location. Refined metals are valued at the average cost of production per saleable unit of metal. Doré, metals in concentrate and in process, ore stockpiles are valued at the average production costs at the relevant stage of production. Net realisable value represents the estimated selling price for product based on prevailing spot metal prices, less estimated costs to complete production and costs necessary to make the sale.

Stores and materials

Stores and materials consist of consumable stores and are stated at the lower of cost and net realisable value. Costs of stores and materials are determined on a weighted average cost basis.

Net realisable value represents the estimated selling price for stores and materials less all costs necessary to make the sale.

3.15 Financial assets

Financial assets are recognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group's financial assets are classified into the following categories:

- financial assets at fair value through profit or loss ("FVTPL");
- held-to-maturity investments; and
- loans and receivables.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. Significant accounting policies (continued)

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the (Loss)/income from investments line item in the consolidated income statement. Fair value is determined in the manner described in note 33.

Held-to-maturity investments

Promissory notes with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with income recognised on an effective yield basis.

Loans and receivables

Loans and receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

3. Significant accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Effective interest method

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

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

3.16 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis within finance cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.18 Provisions

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

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

3. Significant accounting policies (continued)

3.19 Site restoration and environmental obligations

Site restoration and environmental obligations include decommissioning and land restoration costs. Future decommissioning and land restoration costs, discounted to net present value, are added to the respective assets and the corresponding obligations raised as soon as the constructive obligation to incur such costs arises and the future cost can be reliably estimated. Additional assets are amortised on a straight-line basis over the life-of-mine. The unwinding of the obligation is included in the consolidated income statement as finance costs. Obligations are periodically reviewed in light of current laws and regulations, and adjustments made as necessary to the corresponding item of property, plant and equipment.

Ongoing restoration costs are expensed when incurred.

4. Critical accounting judgements and key sources of estimation uncertainty

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgements which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

Critical judgements in applying accounting policies

Judgement has been applied when selecting the appropriate accounting policies. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The most significant areas requiring the use of management estimates and assumptions relate to:
- justification of the economic useful lives of property, plant and equipment;
- recoverability of the exploration and evaluation assets;
- determination and valuation of the stripping activity asset;
- impairment of the tangible assets;
- estimation of the site restoration and environmental obligations;
- interpretation of the tax legislation in accounting for income taxes; and
- assessment of the outcome of contingencies.

Economic useful lives of property, plant and equipment

The Group's mining assets, classified within property, plant and equipment, are amortised using the straight-line method over the life-of-mine based on a mine operating plan, which calls for production from estimated proven and probable ore reserves under the Russian Resource Reporting Code. When determining life-of-mine, assumptions that were valid at the time of estimation may change when new information becomes available.

The factors that could affect estimation of life-of-mine include the following:
- change of estimates of proven and probable ore reserves;
- the grade of ore reserves varying significantly from time to time;
- differences between actual commodity prices and commodity price assumptions used in the estimation of ore reserves;
- unforeseen operational issues at mine sites; and

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

- changes in capital, processing and reclamation costs, discount rates and foreign exchange rates possibly adversely affecting the economic viability of ore reserves.

Any of these changes could affect prospective amortisation of mining assets and their carrying value.

Non-mining property, plant and equipment are depreciated on a straight-line basis over their economic useful lives. Management periodically reviews the appropriateness of the assets' economic useful lives. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Group.

Exploration and evaluation assets

Management's judgement is involved in the determination of whether the expenditures which are capitalised as exploration and evaluation assets may be recouped by future exploitation or sale or should be impaired. Determining this, management estimates the possibility of finding recoverable ore reserves related to a particular area of interest. However, these estimates are subject to significant uncertainties. The Group is involved in exploration and evaluation activities, and some of its licensed properties contain gold resources under the definition of internationally recognised mineral resource reporting methodologies. A number of licensed properties have no mineral resource delineation. Management assumes that all licences will be renewed. Many of the factors, assumptions and variables involved in estimating resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in gold resources estimates could impact the carrying value of exploration and evaluation assets.

Stripping activity asset

The Group incurs stripping costs during the production phases of its surface mining operations. Significant judgement is required to distinguish between the production stripping which relates to the extraction of inventory and which relates to the creation of a stripping activity asset.

In order to perform the allocation the Group is required to identify separate components towards which the stripping costs have been incurred for the ore bodies in each of its mines. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. For the purposes of identification of separate components the Group uses mine operating plans, which are based on estimated proven and probable ore reserves under the Russian Resource Reporting Code.

Each discrete stage of mining identified in the mine plans is considered as a unit of account. If the mine plan initially identifies several discrete stages of mining which will take place consecutively (one after another), these stages would be identified as components. These assessments are undertaken for each individual mine.

Stripping costs incurred during the production phase should be allocated between inventory produced and the stripping activity asset by using the allocation basis. The Group considers that the volume of waste extracted compared with expected volume of a specific component of the ore body, for a given level of ore production, to be the most suitable allocation basis.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of tangible assets

The Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment indicators, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating units, and also in estimating the timing and value of underlying cash flows within the value-in-use calculation.

Factors which could impact underlying cash flows include:

- commodity prices and exchange rates;
- timelines of granting of licences and permits;
- capital and operating expenditure; and
- available reserves and resources and future production profile.

Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Site restoration and environmental obligations

The Group's mining and exploration activities are subject to various environmental laws and regulations. The Group estimates site restoration and environmental obligations based on management's understanding of the current legal requirements in the various jurisdictions, terms of the licence agreements and internally generated engineering estimates. A provision is recognised, based on the net present values for decommissioning and land restoration costs, as soon as the obligation arises. Actual costs incurred in future periods could differ materially from the amounts provided. Additionally, future changes to environmental laws and regulations, life-of-mine estimates and discount rates could affect the carrying amount of this provision.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgements based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward and tax planning strategies. If actual results differ from the estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgements and estimates of the outcome of future events.

(in thousands of US Dollars)

5. Discontinued operations and disposal of subsidiaries

In February 2013, the Group completed the transaction for the sale of its operating subsidiaries in Kazakhstan and Kyrgyzstan representing the Kazakhstan business unit for a total consideration of USD 297,282 thousand, recognizing a gain on disposal of USD 4,577 thousand. The following companies were sold:

- JSC “MMC Kazakhaltyn” and its subsidiaries operating in Kazakhstan; and
- Norox Mining Company Limited and its subsidiaries operating in Kyrgyzstan.

These operating subsidiaries mainly comprised the following mining operations in Northern and Eastern Kazakhstan: the Aksu mine (which consists of the Aksu mine and adjacent Quartzite Hills deposits), the Bestobe mine, the Zholymbet mine and the Akzhal mine. In addition, these assets include development properties in Northern, Eastern and Central Kazakhstan as well as exploration projects at Yuzhny Karaultube and Kaskabulak.

There were no contingent liabilities or deferred consideration applicable to the sale. All the proceeds were received in cash.

As the Kazakhstan operations did not meet the criteria for classification as a discontinued operation or assets held for sale as at 31 December 2012 it has not been re-presented as such in the statement of financial position. The comparative income statement has been re-presented to show the discontinued operations separately from continuing operation for the respective period.

5.1 Income statement effect of the discontinued operations

	Year ended 31 December	
	2013	**2012**
Gold sales	28,729	166,475
Other sales	348	1,717
Total revenue	**29,077**	**168,192**
Cost of gold sales	(22,981)	(96,521)
Cost of other sales	(115)	(1,842)
Gross profit	**5,981**	**69,829**
Selling, general and administrative expenses	(2,501)	(12,198)
Other income (expenses), net	(558)	619
Impairment losses (note 6)	-	(21,361)
Operating profit	**2,922**	**36,889**
Finance costs	(523)	(3,218)
Foreign exchange gain (loss)	867	(7,412)
Profit before income tax	**3,266**	**26,259**
Current income tax expense	(1,790)	(11,056)
Deferred income tax gain	321	219
Net profit attributable to discontinued operations	**1,797**	**15,422**
Gain from disposal of subsidiaries, net of tax (note 5.2)	4,577	-
Profit from discontinued operations	**6,374**	**15,422**

(in thousands of US Dollars)

5. Discontinued operations and disposal of subsidiaries (continued)

5.2 Assets and liabilities disposed in February 2013 as a result of discontinued operations

	Total assets / liabilities disposed
Non-current assets	
Property, plant and equipment (note 15)	264,445
Capital construction-in-progress (note 16)	40,599
Exploration and evaluation assets (note 18)	19,190
Inventories	919
	325,153
Current assets	
Inventories	31,250
Trade and other receivables	7,259
Advances paid to suppliers and prepaid expenses	7,061
Cash and cash equivalents	6,083
	51,653
Non-current liabilities	
Site restoration and environmental obligations (note 26)	34,641
Deferred tax liabilities	26,722
Other non-current liabilities	525
	61,888
Current liabilities	
Trade, other payables and accrued expenses	11,349
Taxes payable	2,180
	13,529
Total net assets of disposal group	**301,389**
Non-controlling interest disposed	(8,684)
Net assets disposed attributable to shareholders	292,705
Proceeds received	297,282
Gain on disposal of discontinued operations, net of tax (note 5.1)	**4,577**

5.3 Disposal of subsidiaries during the year ended 31 December 2012

During the year ended 31 December 2012, the following subsidiaries of the Group:

- Romaltyn Mining S.R.L., Romaltyn Exploration S.R.L., Romaltyn Limited (previously attributable to Kazakhstan business unit); and
- GRK Bargold Ltd and Yakutskoe GRP Ltd (previously attributable to the Exploration business unit)

were sold to independent non related parties.

Romaltyn Mining and Romaltyn Exploration (together, “the Romanian assets”) hold rights to various mining assets in Romania including a gold treatment plant with an annual processing capacity of 2.5 million tonnes (currently not in operation) and a number of exploration properties. Romanian assets were acquired in 2009, together with the Group’s subsidiaries in Kazakhstan. The disposal of the Romanian assets was driven by the strategic objectives of the Group and the increased focus on our core large-scale operations.

GRK Bargold and Yakutskoe GRP hold rights to a number of exploration properties in Russia. The Group’s investment in GRK Bargold was fully impaired during the year ended 31 December 2011.

(in thousands of US Dollars)

5. Discontinued operations and disposal of subsidiaries (continued)

There were no contingent liabilities or deferred consideration applicable to the sales. All the proceeds were received in cash.

The following assets and liabilities were disposed during the year ended 31 December 2012:

	Romanian assets / (liabilities)	GRK Bargold and Yakutskoe GRP assets / (liabilities)	Total assets / (liabilities) disposed
Property, plant and equipment (note 15)	9,772	-	9,772
Capital construction-in-progress (note 16)	6,572	-	6,572
Exploration and evaluation assets (note 18)	3,880	544	4,424
Cash	572	686	1,258
Other assets	900	18	918
Site restoration and environmental obligations (note 26)	(5,022)	-	(5,022)
Other liabilities	(1,947)	(12)	(1,959)
Total net assets disposed	**14,727**	**1,236**	**15,963**
Proceeds	20,000	2,231	22,231
Gain on disposal	**5,273**	**995**	**6,268**

6. Segment information

For management purposes, the Group is organised in the following separate business segments defined by a combination of operating activities and geographical area. Separate financial information is available for each segment and is reported regularly to the chief operating decision maker (“CODM”) and the Executive Committee. The Group’s seven identified reportable segments are located and described as follows (the Kazakhstan business unit was disposed in February 2013 (note 5.2) therefore it is not presented in the Segment information note):

- ***Krasnoyarsk business unit*** (Krasnoyarsk region of the Russian Federation) – Extraction, refining and sale of gold from the Olimpiada, Blagodatnoye and Titimukhta mines, as well as research, exploration and development work at the Olimpiada and Blagodatnoye deposits;
- ***Irkutsk alluvial business unit*** (Irkutsk region, Bodaibo district of the Russian Federation) – Extraction, refining and sale of gold from several alluvial deposits;
- ***Irkutsk ore business unit*** (Irkutsk region, Bodaibo district of the Russian Federation) – Extraction, refining and sale of gold from the Verninskoye mine, research, exploration and development works at Chertovo Korito, Smezhny and Medvezhy Zapadny deposits;
- ***Yakutia Kuranakh business unit*** (Sakha Republic of the Russian Federation) – Extraction, refining and sale of gold from the Kuranakh mines;
- ***Magadan business unit*** (Magadan region of the Russian Federation) – Represented by OJSC “Matrosova Mine” which performs development works at the Natalka deposit;
- ***Exploration business unit*** (Krasnoyarsk region, Irkutsk region, Amur region, and others) – Research and exploration works in several regions of the Russian Federation;
- ***Capital construction unit*** - Represented by LLC “Polyus Stroy” and CJSC “Vitimenergostroy” which perform construction works at Natalka, Verninskoye, Olimpiada and other deposits.

(in thousands of US Dollars)

6. Segment information (continued)

The reportable segments derive their revenue primarily from gold sales. The CODM performs an analysis of the operating results based on these separate business units and evaluates the reporting segment's results, for the purposes of resource allocation, based on the segment measure; segment profit before income tax excluding the finance costs, other sales, costs of other sales and income from investments.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements. Segment financial information provided to the CODM is prepared from the management accounts, which are based on Russian accounting standards.

The Group does not allocate segment results of companies that perform management, investing activities and certain other administrative functions within its internal reporting.

	Gold sales	Segment profit / (loss)	Capital expenditures
For the year ended 31 December 2013			
Business units			
Krasnoyarsk	1,668,495	134,785	180,899
Irkutsk alluvial	277,351	70,596	19,587
Irkutsk ore	122,002	583	78,146
Yakutia Kuranakh	190,751	5,260	17,406
Magadan	-	(68,217)	760,772
Exploration	-	(7,076)	13,828
Capital construction	-	(32,738)	45,958
Total	**2,258,599**	**103,193**	**1,116,596**
For the year ended 31 December 2012			
Business units			
Krasnoyarsk	1,948,587	990,463	144,555
Irkutsk alluvial	363,552	97,009	19,825
Irkutsk ore	76,166	29,687	151,188
Yakutia Kuranakh	229,719	57,245	23,446
Magadan	-	(20,061)	191,043
Exploration	-	(10,083)	22,535
Capital construction	-	1,339	133,916
Total	**2,618,024**	**1,145,599**	**686,508**

Gold sales reported above represent revenue generated from external customers. There were no inter-segment gold sales during the years ended 31 December 2013 and 2012.

(in thousands of US Dollars)

6. Segment information (continued)

The segment measure of profit/(loss) reconciles to the IFRS reported profit before income tax on a consolidated basis as follows:

	Year ended 31 December	
	2013	**2012**
Segment profit per management accounts prepared in accordance with Russian accounting standards	**103,193**	**1,145,599**
Differences between management accounts and IFRS:		
Capitalised exploration, development and construction works	105,652	21,895
Impairment, provisions and accruals	74,240	(377)
Additional depreciation charge and amortisation of mineral rights	(45,936)	(22,314)
Calculation of gold-in-process at net production cost	(77,784)	493
Difference in stripping costs capitalisation	104,736	29,867
Other	(35,610)	684
Adjusted segment net profit	228,491	1,175,847
Unallocated central costs, results of financing and investing activities and related differences in accounting treatment under IFRS	5,198	35,669
Profit before income tax	**233,689**	**1,211,516**

The segment capital expenditures reconcile to the IFRS reported numbers on a consolidated basis as follows:

Segment capital expenditures per management accounts prepared in accordance with Russian accounting standards	**1,116,596**	**686,508**
Differences between management accounts and IFRS:		
Differences at the moment of recognition of capital expenditures	37,705	46,175
Reclassification of advances paid for property, plant and equipment and construction works	24,030	(21,041)
Reclassification of materials related to construction works	157,571	71,375
Differences in capitalised mine under development and exploration and evaluation costs	91,038	2,015
Other	(2,295)	5,180
Adjusted segment capital expenditure	1,424,645	790,212
Unallocated central capital expenditures	15,046	18,674
Capital expenditures	**1,439,691**	**808,886**

The impairment losses for the year ended 31 December 2013, impacted the following reportable segments:

	Business units				
	Krasnoyarsk	**Irkutsk ore**	**Yakutia Kuranakh**	**Exploration**	**Total**
Mining assets (note 15)	-	-	59,466	-	59,466
Stripping activity asset (note 15)	-	-	28,377	-	28,377
Capital construction-in-progress (note 16)	2,137	-	16,639	-	18,776
Exploration and evaluation assets (note 18)	12,713	-	-	303,755	316,468
Long-term stockpiles (note 20)	-	-	33,365	-	33,365
Gold-in-process (note 20)	-	15,205	-	-	15,205
Total	**14,850**	**15,205**	**137,847**	**303,755**	**471,657**

(in thousands of US Dollars)

6. Segment information (continued)

The impairment losses for the year ended 31 December 2012, impacted the following reportable segments:

	Business units					
	Krasnoyarsk	**Irkutsk alluvial**	**Irkutsk ore**	**Magadan**	**Exploration**	**Total**
Continuing operations						
Mining assets (note 15)	-	131	-	-	-	131
Capital construction-in-progress (note 16)	-	81	1,189	-	-	1,270
Mine under development (note 17)	-	-	-	11,622	-	11,622
Exploration and evaluation assets (note 18)	99	-	-	-	2,302	2,401
Sub-total (note 11)	**99**	**212**	**1,189**	**11,622**	**2,302**	**15,424**
Discontinued operations						
Property, plant and equipment (note 15)						4,307
Capital construction-in-progress (note 16)						17,054
Sub-total (note 5.1)						**21,361**
Total						**36,785**

The Group's information about its non-current assets other than financial instruments by geographical location is as follows:

	31 December	
	2013	**2012**
Russian Federation	3,827,313	3,224,228
Republic of Kazakhstan	-	310,821
Kyrgyzstan	-	14,069
United Kingdom	45	70
Total	**3,827,358**	**3,549,188**

7. Gold sales

	Year ended 31 December	
	2013	**2012**
Refined gold	2,258,599	2,588,722
Other gold-bearing products	-	29,302
Total	**2,258,599**	**2,618,024**

(in thousands of US Dollars)

8. Cost of gold sales

	Year ended 31 December	
	2013	**2012**
Consumables and spares	361,889	304,363
Fuel	184,226	128,801
Labour	385,781	341,898
Tax on mining	165,573	192,435
Power	57,844	50,113
Outsourced mining services	22,563	31,264
Refining costs	6,132	5,621
Other	83,923	73,245
Sub-total	**1,267,931**	**1,127,740**
Amortisation and depreciation of operating assets (note 15)	209,152	169,923
Increase in gold-in-process and refined gold inventories	(130,560)	(32,357)
Total	**1,346,523**	**1,265,306**

9. Selling, general and administrative expenses

	Year ended 31 December	
	2013	**2012**
Salaries	151,027	133,774
Taxes other than mining and income taxes	25,471	62,226
Professional services	21,116	29,011
Amortisation and depreciation (note 15)	4,486	3,458
Other	23,695	27,236
Total	**225,795**	**255,705**

10. Other expenses / (income), net

	Year ended 31 December	
	2013	**2012**
Change in estimations of decommissioning liabilities (note 26)	(5,521)	(15,247)
Change in allowance for reimbursable value added tax	1,551	(618)
Donations	3,914	6,339
Loss on disposal of property, plant and equipment and capital construction-in-progress	2,716	3,684
Maintenance expenses related to previously impaired Exploration and evaluation assets	8,117	-
Other	2,751	(6,342)
Total	**13,528**	**(12,184)**

11. Impairment losses

	Year ended 31 December	
	2013	**2012**
Mining assets (note 15)	59,466	131
Stripping activity asset (note 15)	28,377	-
Capital construction-in-progress (note 16)	18,776	1,270
Mine under development (note 17)	-	11,622
Exploration and evaluation assets (note 18)	316,468	2,401
Long-term stockpiles (note 20)	33,365	-
Gold-in-process (note 20)	15,205	-
Total	**471,657**	**15,424**

(in thousands of US Dollars)

11. Impairment losses (continued)

Following the significant fall in the gold price in the first half of 2013 and the subsequent sustained lower price, the Group reassessed:

- the carrying value of its mining assets, stripping activity assets and capital construction-in-progress, at its Kuranakh mine in the Yakutia business unit, against its value-in-use;
- the future prospectivity of its exploration and evaluation asset portfolio; and
- the recoverability of its long-term stockpiles and gold-in-process.

After the related tax credit of USD 50,867 thousand, the post-tax impairment charge is USD 420,790 thousand.

Impairment of Property, plant and equipment and Capital construction-in-progress

As at 30 June 2013, the group recorded an impairment charge of USD 104,482 thousand in respect of the Kuranakh mine in the Yakutia region, following the significant fall in the gold price. As a consequence of the sustained lower gold price, the extended ramp up period of Verninskoye and the re-sequencing of the Natalka project, impairment tests have also been performed on the Verninskoye mine in the Irkutsk region and the Natalka mine under development in the Magadan region. No further impairments were required.

The key assumptions that were used in the impairment testing were a weighted average long term gold price of USD 1,350 per oz and a post-tax discount rate in the range 6-10% (pre-tax 7-12%) depending on the risk profile of each mine.

The impairment tests are particularly sensitive to the assumed price of gold and impairments would be required at an assumed gold price below USD 1,250 per oz.

Impairment of Exploration and evaluation assets

The future prospectivity of its Exploration and evaluation asset portfolio was reassessed and the following impairments identified:

	Year ended 31 December 2013
Nezhdaninskoye deposit	247,500
Degdekanskoye deposit	48,258
Burgakhchan area	6,393
Verkhnekadrinskaya area	6,483
Vangashskaya area	6,230
Apsakan deposit	1,604
Total	**316,468**

In the new lower gold price environment the Company is prioritising its investments. Despite the identification of significant reserves at the Nezhdaninskoye and Degdekanskoye deposits the Company now considers it unlikely that these will be developed.

Impairment of long-term stock piles and gold in process

The recoverability of certain low-grade long-term ore stockpiles at Kuranakh and gravitation tailings at Verninskoye is now considered unlikely and accordingly these have been impaired.

(in thousands of US Dollars)

12. Finance costs

	Year ended 31 December	
	2013	**2012**
Interest on borrowings	42,634	24,388
Unwinding of discounts on decommissioning liability (note 26)	5,442	9,003
Sub-total finance cost	**48,076**	**33,391**
Interest capitalised in the cost of Mine under development and Capital construction-in progress	(34,198)	(1,818)
Total finance cost expensed	**13,878**	**31,573**

13. Income from investments, net

	Year ended 31 December	
	2013	**2012**
Interest income on bank deposits	26,910	35,757
Loss from revaluation and sale of investments	(6,851)	(378)
Other	1,289	581
Total	**21,348**	**35,960**

14. Income tax expense

	Year ended 31 December	
	2013	**2012**
Current tax expense	131,963	231,560
Deferred tax (benefit) / expense	(41,275)	14,852
Total	**90,688**	**246,412**

The corporate income tax rates in the countries where the Group has a taxable presence vary from 0% (British Virgin Islands) to 23.25% (United Kingdom).

A reconciliation of Russian Federation statutory income tax, the location of the Group's major production entities and operations, to the income tax expense recorded in the consolidated income statement is as follows:

Profit from continuing operations before income tax	**233,689**	**1,211,516**
Income tax at statutory rate applicable to principal entities (20%)	46,738	242,303
Tax effect of non-deductible expenses and other permanent differences	6,379	(3,389)
Unrecognized deferred tax assets and write-off of losses carried forward resulted from impairments	47,477	-
Unrecognised tax losses	2,957	124
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,374)	15,565
Reversal of previously recognised income tax expense	(6,856)	-
Other	(3,633)	(2,063)
Tax effect of utilisation of tax losses not previously recognised	-	(6,128)
Income tax expense at effective rate of 39% (2012: 20%)	**90,688**	**246,412**

Impairment of assets (note 11) resulted in significant Unrecognized deferred tax assets during the year ended 31 December 2013.

(in thousands of US Dollars)

15. Property, plant and equipment

	Mining assets	Non-mining assets	Stripping activity asset	Total
Cost				
Balance at 31 December 2011	**2,077,283**	**55,225**	**93,812**	**2,226,320**
Additions	-	-	96,623	96,623
Transfers from capital construction-in-progress and reclassifications (note 16)	471,909	20,903	-	492,812
Change in decommissioning liabilities (note 26)	(32,899)	-	-	(32,899)
Disposals	(23,972)	(1,720)	-	(25,692)
Disposals of subsidiaries (note 5.3)	(13,580)	-	-	(13,580)
Effect of translation to presentation currency	100,913	3,551	8,081	112,545
Balance at 31 December 2012	**2,579,654**	**77,959**	**198,516**	**2,856,129**
Additions	-	-	37,692	37,692
Transfers from capital construction-in-progress (note 16)	371,234	15,865	-	387,099
Reclassifications	22,212	(22,212)	-	-
Change in decommissioning liabilities (note 26)	(6,590)	-	-	(6,590)
Disposals	(41,840)	(3,585)	-	(45,425)
Disposals of subsidiaries (note 5.2)	(352,839)	(3,199)	-	(356,038)
Effect of translation to presentation currency	(166,874)	(3,790)	(15,308)	(185,972)
Balance at 31 December 2013	**2,404,957**	**61,038**	**220,900**	**2,686,895**
Accumulated amortisation, depreciation and impairment				
Balance at 31 December 2011	**(771,644)**	**(22,369)**	**(7,454)**	**(801,467)**
Charge	(204,960)	(4,685)	(15,031)	(224,676)
Disposals	19,747	608	-	20,355
Disposals of subsidiaries (note 5.3)	3,808	-	-	3,808
Impairment				
continuing operations (notes 6 and 11)	(131)	-	-	(131)
discontinued operations (note 6)	(4,307)	-	-	(4,307)
Effect of translation to presentation currency	(45,736)	(1,377)	(818)	(47,931)
Balance at 31 December 2012	**(1,003,223)**	**(27,823)**	**(23,303)**	**(1,054,349)**
Charge	(223,034)	(3,955)	(18,094)	(245,083)
Reclassifications	(5,187)	5,187	-	-
Disposals	37,875	1,482	-	39,357
Disposals of subsidiaries (5.2)	91,249	344	-	91,593
Impairment of continuing operations (notes 6 and 11)	(59,466)	-	(28,377)	(87,843)
Effect of translation to presentation currency	71,225	1,672	2,182	75,079
Balance at 31 December 2013	**(1,090,561)**	**(23,093)**	**(67,592)**	**(1,181,246)**
Net book value				
31 December 2012	**1,576,431**	**50,136**	**175,213**	**1,801,780**
31 December 2013	**1,314,396**	**37,945**	**153,308**	**1,505,649**

The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as 31 December 2012 were re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of its use. For details, refer to note 2.

(in thousands of US Dollars)

15. Property, plant and equipment (continued)

Following the disposal of subsidiaries (note 5) mineral rights decreased by USD 128,728 thousand, the remaining difference was the result of amortisation.

The carrying values of mineral rights included in mining assets were as follows:

	31 December	
	2013	**2012**
Mineral rights	49,259	229,056

Amortisation and depreciation charge is allocated as follows:

	Year ended 31 December	
	2013	**2012**
Cost of gold sales		
continuing operations (note 8)	209,152	169,923
discontinued operations	3,686	20,464
Selling, general and administrative expenses		
continuing operations (note 9)	4,486	3,458
discontinued operations	68	279
Cost of other sales	196	1,734
Capitalised within capital construction-in-progress	27,495	28,818
Total	**245,083**	**224,676**

(in thousands of US Dollars)

16. Capital construction-in-progress

	Business units					
	Krasnoyarsk	Irkutsk ore	Yakutia Kuranakh	Capital construction	Other	Total
Balance at 31 December 2011	**67,759**	**185,500**	**29,063**	**2,046**	**79,213**	**363,581**
Additions	100,733	111,504	26,684	133,917	127,112	499,950
Transfers to property, plant and equipment (note 15)	(93,674)	(159,652)	(21,524)	(99,856)	(118,106)	(492,812)
Disposals	(769)	-	-	-	(452)	(1,221)
Disposals of subsidiaries (note 5.3)	-	-	-	-	(6,572)	(6,572)
Impairment						
continuing operations (notes 6 and 11)	-	(1,189)	-	-	(81)	(1,270)
discontinued operations (note 6)	-	-	-	-	(17,054)	(17,054)
Effect of translation to presentation currency	4,217	9,948	1,868	930	1,460	18,423
Balance at 31 December 2012	**78,266**	**146,111**	**36,091**	**37,037**	**65,520**	**363,025**
Additions	209,813	53,253	15,673	68,229	36,253	383,221
Transfers to property, plant and equipment (note 15)	(113,269)	(148,662)	(26,188)	(54,671)	(44,309)	(387,099)
Disposals	-	-	-	-	(309)	(309)
Disposals of subsidiaries (note 5.2)	-	-	-	-	(40,599)	(40,599)
Impairment of continuing operations (notes 6 and 11)	(2,137)	-	(16,639)	-	-	(18,776)
Effect of translation to presentation currency	(8,168)	(7,953)	(2,320)	(3,032)	(40)	(21,513)
Balance at 31 December 2013	**164,505**	**42,749**	**6,617**	**47,563**	**16,516**	**277,950**

The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as of 31 December 2012 were re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of use. For details, refer to note 2.

The principal projects in Capital construction-in-progress within:

- the Krasnoyarsk business unit relates to the expansion of mill throughput at Titimukhta, expansion of the bio-oxidation facility, installation of plant automation systems at Olimpiada and Blagodatnoye, construction of additional dormitories at Olimpiada and Blagodatnoye and maintenance capital expenditure;
- the Irkutsk ore business unit relate to the ramp-up and infrastructure construction of the Verninskoye mine.

(in thousands of US Dollars)

17. Mine under development

	Total
Balance at 31 December 2011	**302,475**
Additions	305,525
New decommissioning liabilities raised (note 26)	2,012
Impairment of continuing operations (notes 6 and 11)*	(11,622)
Effect of translation to presentation currency	25,178
Balance at 31 December 2012	**623,568**
Additions	1,023,818
Change in decommissioning liabilities (note 26)	(857)
Effect of translation to presentation currency	(72,268)
Balance at 31 December 2013	**1,574,261**

The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as of 31 December 2012 were re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of its use. For details, refer to note 2.

The carrying values of mineral rights related to a mine project under development were as follows:

	31 December 2013	31 December 2012
Mineral rights (variation is due to exchange rate only)	63,251	68,159

Mine under development include only Natalka mine (Magadan business unit).

* During the year ended 31 December 2012 impairment of mining assets in the amount of USD 11,622 thousand was recognised following the decision to abandon activities related to the Omchak deposit, which represented a minor part of the Natalka deposit.

(in thousands of US Dollars)

18. Exploration and evaluation assets

	Nezhda-ninskoye	Degdekan-skoye	Chertovo Korito	Razdo-linskoye	Panimba	Olympiada	Bamsky	Smezhny	Medvezhy Zapadny	Blagodat-noye	Other	Total
Balance at 31 December 2011	**232,345**	**48,774**	**41,200**	**22,031**	**26,020**	**21,604**	**21,054**	**5,917**	**2,702**	**-**	**30,065**	**451,712**
Additions	19,108	130	3,139	3,559	1,295	1,057	160	4,039	1,899	-	10,858	45,244
Change in decommissioning liabilities (note 26)	1,901	-	-	-	-	-	-	-	-	-	-	1,901
Impairment of continuing operations (notes 6 and 11)	(2,063)	-	-	-	-	-	-	-	-	-	(338)	(2,401)
Disposals of subsidiaries (note 5.3)	-	-	-	-	-	-	-	-	-	-	(4,424)	(4,424)
Effect of translation to presentation currency	11,397	2,888	2,474	1,317	1,611	1,322	1,268	349	105	-	4,047	26,778
Balance at 31 December 2012	**262,688**	**51,792**	**46,813**	**26,907**	**28,926**	**23,983**	**22,482**	**10,305**	**4,706**	**-**	**40,208**	**518,810**
Additions	6,678	395	4,178	5,765	426	2,161	302	4,817	456	4,853	2,621	32,652
Change in decommissioning liabilities (note 26)	(2,909)	-	-	-	-	-	-	-	-	-	-	(2,909)
Impairment of continuing operations (notes 6 and 11)	(247,500)	(48,258)	-	-	-	-	-	-	-	-	(20,710)	(316,468)
Disposals of subsidiaries (note 5.2)	-	-	-	-	-	-	-	-	-	-	(19,190)	(19,190)
Effect of translation to presentation currency	(18,957)	(3,929)	(3,483)	(2,093)	(2,094)	(1,785)	(1,627)	(809)	(413)	(334)	(2,785)	(38,309)
Balance at 31 December 2013	**-**	**-**	**47,508**	**30,579**	**27,258**	**24,359**	**21,157**	**14,313**	**4,749**	**4,519**	**144**	**174,586**

The carrying values of Property, plant and equipment, Capital construction-in-progress, Mine under development and Exploration and evaluation assets as of 31 December 2012 were re-presented in these consolidated financial statements to provide for enhanced disclosure of long-lived physical assets by type and nature of its use. For details, refer to note 2.

(in thousands of US Dollars)

19. Investments in securities and other financial assets

	31 December 2013	31 December 2012
Non-current		
Loan Participation Notes	-	13,286
Loans receivable	1,765	2,748
Sub-total	**1,765**	**16,034**
Current		
Bank deposits	47,815	68,286
Equity investments in listed companies held for trading	-	9,276
Other	418	798
Sub-total	**48,233**	**78,360**
Total	**49,998**	**94,394**

Bank deposits

Bank deposits bearing interest at 6.57–7.12 % (31 December 2012: 7.80–8.76%) per annum are denominated in RUB with a maturity date in January – March 2014.

20. Inventories

	31 December 2013	31 December 2012
Inventories expected to be recovered after 12 months		
Stockpiles	291,711	234,550
Gold-in-process	3,201	7,455
Sub-total	**294,912**	**242,005**
Inventories expected to be recovered in the next 12 months		
Stockpiles	110,915	73,280
Gold-in-process	86,619	112,040
Refined gold	28,215	24,393
Stores and materials	476,366	449,767
Sub-total	**702,115**	**659,480**
Total	**997,027**	**901,485**

The following impairments have been recognised following a reassessment of net realisable value by the Company.

	Year ended 31 December 2013	Year ended 31 December 2012
Long-term stockpiles (notes 6 and 11)	33,365	-
Gold-in-process (notes 6 and 11)	15,205	-
Total	**48,570**	**-**

(in thousands of US Dollars)

21. Deferred expenditures

	31 December 2013	31 December 2012
Deferred expenditures	16,330	19,090

Deferred expenditures relate to the preparation for the seasonal alluvial mining activities comprised of excavation costs, general production and specific administration costs.

22. Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables for gold sales	-	20,284
Other receivables	39,010	36,342
Less: Allowance for doubtful debts	(11,570)	(11,257)
Total	**27,440**	**45,369**

Substantially all gold sales are made to banks with immediate payment terms.

Other receivables include amounts receivable from sales of electricity, transportation, handling, warehousing services and other services. The procedure for accepting a new customer includes checks by the security department regarding the customer's business reputation, licences and certifications.

23. Taxes receivable

	31 December 2013	31 December 2012
Reimbursable value added tax	217,645	210,383
Income tax prepaid	25,186	6,683
Other prepaid taxes	6,893	3,769
Total	**249,724**	**220,835**

24. Cash and cash equivalents

	31 December 2013	31 December 2012
Bank deposits		
- RUB	453,025	524,947
- USD	190,389	100,000
Current bank accounts		
- RUB	73,106	100,411
- USD	91,249	232,769
Other cash and cash equivalents	906	1,805
Total	**808,675**	**959,932**

Bank deposits are denominated in RUB and USD and bear interest of 4.0-7.5% per annum with original maturity within three months.

(in thousands of US Dollars)

25. Share capital

The authorised share capital of the Company comprises 3,600,000 thousand ordinary shares with a par value of GBP 0.0001 per share.

The issued and fully paid up share capital of the Company comprises 3,032,150 thousand ordinary shares issued at a premium, resulting in share capital of USD 482 thousand and additional paid-in-capital of USD 2,151,765 thousand.

Dividends to shareholders of the Company

		Year ended 31 December	
		2013	**2012**
Dividend declared and paid during the year:			
	USD thousand	320,195	124,318
	US cents per share	0.11	0.04

The Final dividend for 2012 in the amount of USD 0.0824 per share and a Special dividend of USD 0.0232 per share in respect of the sale of the group’s gold mining assets in Kazakhstan, Kyrgyzstan and Romania were approved at the Annual General Meeting at 31 May 2013 and paid on 7 June 2013.

(in thousands of US Dollars)

26. Site restoration and environmental obligations

	Business units							
	Krasnoyarsk	**Irkutsk alluvial**	**Irkutsk ore**	**Yakutia Kuranakh**	**Magadan**	**Exploration**	**Kazakhstan**	**Total**
Balance at 31 December 2011	47,827	6,079	16,485	32,046	-	5,371	42,068	149,876
New obligations raised (note 17)	-	-	-	-	2,012	-	-	2,012
Change in estimation (notes 10, 15, 17, 18)	(13,653)	299	(5,370)	(24,694)	-	1,901	(4,728)	(46,245)
Unwinding of discount on decommissioning obligations	4,438	418	1,501	2,646	-	-	3,140	12,143
Disposal of subsidiaries (Note 5.3)	-	-	-	-	-	-	(5,022)	(5,022)
Other	-	-	-	667	-	516	-	1,183
Effect of translation to presentation currency	2,653	381	899	1,417	48	380	(575)	5,203
Balance at 31 December 2012	**41,265**	**7,177**	**13,515**	**12,082**	**2,060**	**8,168**	**34,883**	**119,150**
Change in estimation (notes 10, 15, 17, 18)	(8,556)	(512)	(1,635)	(349)	(857)	(3,968)	-	(15,877)
Unwinding of discount on decommissioning obligations	2,835	459	900	951	-	297	-	5,442
Disposals of subsidiaries (note 5.2)	-	-	-	-	-	-	(34,641)	(34,641)
Other	-	-	-	-	147	256	(309)	94
Effect of translation to presentation currency	(2,818)	(515)	(953)	(886)	(129)	(388)	67	(5,622)
Balance at 31 December 2013	**32,726**	**6,609**	**11,827**	**11,798**	**1,221**	**4,365**	**-**	**68,546**

The principal assumptions used for the estimation of site restoration and environmental obligations were as follows:

	31 December	
	2013	**2012**
Discount rates	5.8 - 8.7%	6.2 - 8.3%
Inflation rates	5.0 - 6.5%	2.5 - 8.1%
Expected mine closure dates	2014 - 2045	2013 - 2050

The present value of costs to be incurred for settlement of the site restoration and environmental obligations is as follows:

	31 December	
	2013	**2012**
Due from 2nd to 5th year	7,412	3,156
Due from 6th to 10th year	15,291	11,447
Due from 11th to 15th year	27,251	45,877
Due from 16th to 20th year	17,374	34,884
Due thereafter	1,218	23,786
Total	**68,546**	**119,150**

(in thousands of US Dollars)

27. Borrowings

		Nominal rate %	31 December 2013	31 December 2012
Notes due in 2020	(i)	5.625%	744,241	-
HSBC credit facility	(ii)	3 months USD LIBOR+3%	99,725	99,325
Unicredit Bank credit facility to OJSC “Pervenets”	(iii)	3 months USD LIBOR + 2.4%	22,222	44,444
Unicredit Bank credit facility	(iii)	3 months USD LIBOR+2.95%	-	99,544
Unicredit Bank credit facility to OJSC “Matrosova Mine”	(iii)	6 months USD LIBOR + 2.02%	55,787	-
Société Générale credit facility to OJSC “Pervenets”	(iv)	3 months USD LIBOR + 2.4%	22,222	44,444
Société Générale export financing credit facility agreement to CJSC “Gold Mining Company Polyus”	(iv)	6 months USD LIBOR + 0.55%	25,546	25,389
Deutsche Bank credit facility to OJSC “Matrosova Mine”	(v)	6 months USD LIBOR + 1.35%	19,544	-
Deutsche Bank letters of credit with deferred payment issued by the order of OJSC “Matrosova Mine”	(v)			
- nominated in USD		6 month USD LIBOR + 2.4%	20,676	30,856
- nominated in EUR		Cost of fund (COF) + 2.7%	92,417	4,345
VTB Bank letters of credit with deferred payment issued by the order of OJSC “Matrosova Mine”	(vi)			
- nominated in USD		6 months USD LIBOR + 1.7%	48,560	-
- nominated in EUR		Euribor +1.8%	32,388	-
Rosbank letters of credit with deferred payment issued by the order of CJSC “Gold Mining Company Polyus”	(vii)	6 months USD LIBOR + 2.35%	22,258	-
Sub-total			**1,205,586**	**348,347**
Less: Current portion due within 12 months			(268,693)	(187,555)
Long-term borrowings			**936,893**	**160,792**

Summary of borrowing agreements

(i) Notes due in 2020

On 29 April 2013, the Company issued USD 750 million Notes maturing in 2020 with a fixed coupon rate of 5.625% paid semi-annually. The notes are accounted for at amortised cost at the effective interest rate. Proceeds from the Notes are being utilised on the Natalka construction project, respectively interest expense in amount of USD 28,795 thousand was fully capitalised into Mine under development balance at the effective interest rate of 5.835%.

(ii) HSBC

On 10 February 2012, the Company entered into a three year USD 100 million credit facility with HSBC to fund the redemption of the Guaranteed senior notes, which were redeemed early in 2012. The facility is to be repaid in five equal instalments in intervals of three months starting from March 2014. The facility was fully utilised as of 31 December 2013.

27. Borrowings (continued)

(iii) Unicredit Bank

On 4 October 2011, OJSC "Pervenets", a subsidiary of the Group, entered into a three year USD 100 million term loan facility agreement with Société Générale as a lender to fund general corporate purposes. On 6 October 2011, Société Générale transferred USD 50 million of the facility [see note (iv) below] to a new lender Unicredit Bank. The facility is to be repaid in nine equal instalments in intervals of three months starting from 4 October 2012. As of 31 December 2013, USD 50 million had been drawn down and five repayments made.

On 29 December 2011, the Company entered into a two year USD 100 million facility agreement arranged by Unicredit Bank to fund the redemption of Guaranteed senior notes, which were redeemed early in 2012. The facility was fully redeemed as of 31 December 2013.

On 26 April 2013, OJSC "Matrosova Mine", a subsidiary of the Group, entered into a USD 59 million (USD equivalent of EUR 45 million) credit facility agreement arranged by Unicredit Bank and guaranteed by OeKB (the Austrian export credit agency) to fund the acquisition of mining equipment. Scheduled repayments were made in 2013. The maturity of the outstanding amounts varies from 2014 to 2021.

(iv) Société Générale

On 4 October 2011, OJSC "Pervenets", a subsidiary of the Group, entered into a three year USD 100 million term loan facility agreement with Société Générale as a lender to fund general corporate purposes. On 6 October 2011, Société Générale transferred USD 50 million of the facility to a new lender, Unicredit Bank [see note (iii) above]. The facility is to be repaid in nine equal instalments in intervals of three months starting from 4 October 2012. As of 31 December 2013, USD 50 million had been drawn down and five repayments made.

As of 31 December 2013, USD 25,546 thousand was outstanding out of a USD 67,502 thousand export financing credit facility agreement with Société Générale for financing to be used for the purchase of mining equipment. The facility was established for facilitation of exports from the United States of America and guaranteed by Export-Import Bank of the United States. The maturity of the outstanding amounts varies from 2014 to 2016. The credit facility is secured by the pledge of plant and equipment with the net book value of USD 46,924 thousand (2012: USD 52,375 thousand).

(v) Deutsche Bank

On 7 August 2013, OJSC "Matrosova Mine", a subsidiary of the Group, entered into a USD 22 million credit facility agreement arranged by Deutsche Bank and guaranteed by EKN (the Swedish export credit agency) to fund the acquisition of mining equipment. Scheduled repayments were made in 2013. The maturity of the outstanding amounts varies from 2014 to 2018.

As of 31 December 2013, OJSC "Matrosova Mine" had outstanding a number of letter of credit agreements with Deutsche Bank for the acquisition of mining equipment with deferred payment terms. The maturity of the outstanding amounts varies from 2014 to 2015.

(vi) VTB Bank

As of 31 December 2013, OJSC "Matrosova Mine" had outstanding a number of letter of credit agreements with VTB Bank for the acquisition of mining equipment with deferred payment terms. The maturity of the outstanding amounts varies from 2014 to 2017.

(in thousands of US Dollars)

27. Borrowings (continued)

(vii) Rosbank

As of 31 December 2013, CJSC “Gold Mining Company Polyus” had an outstanding letter of credit agreement with Rosbank for the acquisition of mining equipment with deferred payment terms. The maturity of the outstanding amounts varies from 2014 to 2016.

(viii) Unused credit facilities

On 15 March 2012, CJSC “Gold Mining Company Polyus”, a subsidiary of the Group, entered into a three year RUB 10 billion (approximately USD 306 million) credit line with VTB Bank to fund its general corporate purposes. The interest rate is subject to a separate agreement under each of the credit line drawdowns.

On 25 July 2012, OJSC “Matrosova Mine”, a subsidiary of the Company, entered into a finance agreement with VTB Bank for a total amount of up to RUB 5 billion (approximately USD 153 million). The facility is used to support the purchase of equipment for the Natalka project.

(ix) Other matters

CJSC “Gold Mining Company Polyus” guaranteed liabilities of all the companies of the Group under all the finance agreements.

There were a number of covenants in effect as of 31 December 2013 under several loan agreements according to which the respective subsidiaries of the Company and Company itself are limited in distribution of their assets. The Group is not allowed to divest more than 10% of its assets in any form of transaction without prior consent of the banks. Limitation is applicable to the most significant subsidiaries of the Group.

In addition in accordance with certain bank covenants the Company is restricted in the right to dispose of the controlling share in certain significant subsidiaries of the Group. Also, there is a restriction on transfer of non-core assets between certain subsidiaries of the Group.

The Group was in compliance with these covenants as of 31 December 2013.

28. Deferred tax liabilities

The movement in the Group’s deferred taxation position was as follows:

	Year ended 31 December	
	2013	**2012**
Net deferred tax liability at beginning of the year	**208,998**	**184,207**
Recognised in the consolidated income statement	(41,275)	14,633
Deferred tax liability disposed as a result of discontinued operations	(26,722)	-
Other	12,650	-
Effect of translation to presentation currency	(19,235)	10,158
Net deferred tax liability at end of the year	**134,416**	**208,998**

Deferred taxation is attributable to the temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The deferred tax amounts resulted from temporary differences in the following accounts are presented below:

(in thousands of US Dollars)

28. Deferred tax liabilities (continued)

	31 December 2013	31 December 2012
Property, plant and equipment	108,739	192,923
Inventory	72,559	61,592
Investments	(202)	(1,825)
Receivables	777	(1,322)
Accrued expenses	(47,457)	(42,370)
Total	**134,416**	**208,998**

Unrecognised deferred tax asset

	2013	2012
The unrecognised deferred tax asset in respect of tax losses carried forward available for offset against future taxable profit of certain subsidiaries within the Group	87,620	40,143

Such tax losses expire in periods up to ten years, and are not recognised as management does not believe it is probable that future taxable profit will be available against which the respective entities can utilise the benefits.

Unrecognised deferred tax liability

	2013	2012
The unrecognised deferred tax liability for taxable temporary differences associated with investments in subsidiaries	26,298	78,020

The deferred tax liability presented above was not recognised because the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

29. Trade, other payables and accrued expenses

	31 December 2013	31 December 2012
Trade payables to third parties	32,349	41,204
Other payables		
Other accounts payable and accrued expenses	89,644	103,968
Wages and salaries payable	86,372	81,768
Dividends payable to non-controlling interests	6,085	25,906
Interest payable	9,632	726
Total other payables	**191,733**	**212,368**
Accrued annual leave	36,295	36,274
Total	**260,377**	**289,846**

The average credit period for payables at 31 December 2013 was 19 days, (2012: 21 days). No interest was charged on the outstanding payables balance during the credit period. The Group has financial risk management policies in place, which include budgeting and analysis of cash flows and payments schedules to ensure that all amounts payable are settled within the credit period.

(in thousands of US Dollars)

30. Taxes payable

	31 December	
	2013	**2012**
Income tax payable	705	30,583
Value added tax	13,442	14,227
Social taxes	22,774	20,319
Tax on mining	7,898	15,306
Property tax	2,787	4,123
Other taxes	5,369	43,236
Total	**52,975**	**127,794**

31. Related parties

Related parties include substantial shareholders, entities under common ownership and control with the Group and members of key management personnel. The Company and its subsidiaries, in the ordinary course of business, enter into purchase and service transactions with related parties.

The Group had no transactions with its shareholders during the years 2013 and 2012.

Entities under common ownership

The Group had the following outstanding balances and investments with entities under common control:

	31 December	
	2013	**2012**
Cash and cash equivalents at Bank “Mezhdunarodniy finansoviy club”	-	151,692
Loan Participation Notes “RBC”	-	14,366
Investments in securities and other financial assets at “Mezhdunarodniy finansoviy club”	-	7,603
Equity investments in listed companies held for trading “RBC”	-	7,465
Advances and prepaid expenses paid to suppliers	-	298

Following the disposal of the Company’s shares by one of the principal shareholders in February 2013 certain entities ceased to be related parties.

The Group entered into the following transactions with entities under common control:

	Year ended 31 December	
	2013	**2012**
Purchase of goods and services	-	2,988
Interest income	1,353	10,147

Key management personnel

Short-term compensation of key management personnel amounted to:	47,876	35,012

(in thousands of US Dollars)

32. Commitments and contingencies

Commitments

Capital commitments

The Group's contracted capital expenditure commitments are as follows:

	31 December	
	2013	**2012**
Natalka project	69,129	300,859
Other	77,350	155,649
Total	**146,479**	**456,508**

Operating leases: Group as a lessee

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases this land through operating lease agreements, which expire in various years through to 2060.

Future minimum lease payments due under non-cancellable operating lease agreements at the end of the year were as follows:

Due within one year	4,385	2,928
From one to five years	14,260	9,236
Thereafter	34,545	19,085
Total	**53,190**	**31,249**

Contingencies

Litigations

In the ordinary course of business, the Group is subject to litigation in a number of jurisdictions, the outcome of which is uncertain and could give rise to adverse outcomes. At the date of issuance of these consolidated financial statements there were no material claims and litigation applicable to the Group, except for the lawsuit related to the additional dividends distribution attributable to preferred shares of OJSC "Lenzoloto" for the amount of USD 8,978 thousand. Management believes that this claim will not have a material adverse impact on the Group.

Insurance

The insurance industry is not yet well developed in the Russian Federation and many forms of insurance protection common in more economically developed countries are not yet available on comparable terms. The Group does not have full insurance coverage for its mining, processing and transportation facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations, other than limited coverage required by law.

The Group, as a participant in exploration and mining activities, may become subject to liability for risks that cannot be insured against, or against which it may elect not to be insured because of high premium costs. Losses from uninsured risks may cause the Group to incur costs that could have a material adverse effect on the Group's business and financial condition.

32. Commitments and contingencies (continued)

Taxation contingencies in the Russian Federation

Commercial legislation in the Russian Federation, including tax legislation, is subject to varying interpretations and frequent changes. In addition, there is a risk of tax authorities making arbitrary judgements of business activities. If a particular treatment, based on management's judgement of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed with additional taxes, penalties and interest.

Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Also, according to the clarification of the Russian Constitutional Court, the statute of limitation for tax liabilities may be extended beyond the three year term set forth in the tax legislation, if a court determines that the taxpayer has obstructed or hindered a tax inspection.

Management of the Group is confident that applicable taxes have all been accrued and, consequently, creation of provisions is not required.

Under the Russian tax legislation, the authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by the authorities could affect the Group's previously submitted and assessed tax declarations.

With regards to matters where practice concerning payment of taxes is unclear, management estimate that there were no tax exposures at 31 December 2013 and 2012.

Environmental matters

The Group is subject to extensive federal and local environmental controls and regulations in the regions in which it operates. The Group's operations involve the discharge of materials and contaminants into the environment, disturbance of land that could potentially impact on flora and fauna, and give rise to other environmental concerns.

The Group's management believes that its mining and production technologies are in compliance with the existing Russian environmental legislation. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernises technology to meet more stringent standards.

The Group is obliged under the terms of various laws, mining licences and 'use of mineral rights' agreements to decommission mine facilities on cessation of its mining operations and to restore and rehabilitate the environment. Management of the Group regularly reassesses site restoration and environmental obligations for its operations. Estimations are based on management's understanding of the current legal requirements and the terms of the licence agreements. Should the requirements of applicable environmental legislation change or be clarified, the Group may incur additional site restoration and environmental obligations.

33. Financial instruments risk management activities

Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings as described in note 27) less cash and cash equivalents (disclosed in note 24) and equity of the Group (comprising issued share capital, reserves, retained earnings and non-controlling interests).

(in thousands of US Dollars)

33. Financial instruments risk management activities (continued)

Major categories of financial instruments

The Group's principal financial liabilities comprise borrowings, other non-current liabilities and trade and other payables. The main purpose of these financial instruments is to finance the Group's operations. The Group has various financial assets such as accounts receivable and loans advanced, cash and cash equivalents, and promissory notes and other investments.

	31 December	
	2013	2012
Financial assets		
Financial assets at FVTPL		
Equity investments in listed companies held for trading	-	9,276
Loans and receivables, including cash and cash equivalents		
Cash and cash equivalents	808,675	959,932
Bank deposits	47,815	68,286
Trade and other receivables	27,440	45,369
Loans receivable	1,765	2,748
Loan Participation Notes accounted for at amortised cost	-	13,286
Total financial assets	**885,695**	**1,098,897**
Financial liabilities		
Borrowings	1,205,586	348,347
Trade payables	32,349	41,204
Other payables	191,733	242,519
Other non-current liabilities	-	524
Total financial liabilities	**1,429,668**	**632,594**

All of the financial assets and liabilities carrying values approximate the fair value except for the Notes due 2020, which has a fair value of USD 727,943 thousand at 31 December 2013, and is classified as Level 1 as the fair value is based on quoted prices.

The main risks arising from the Group's financial instruments are interest rate, foreign currency, credit and liquidity risks.

Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

If the interest rate was 1% higher / lower during the year ended 31 December 2013 interest expense for the year 2013 would increase / decrease by USD 9,761 thousand.

The Group does not enter into any hedging contracts or use other financial instruments to mitigate the commodity price risk.

Foreign currency risk

Currency risk is the risk that the financial results of the Group will be adversely affected by changes in exchange rates to which the Group is exposed. The Group undertakes certain transactions denominated in foreign currencies. Prices for gold are quoted in USD based on international quoted prices, and paid in RUB. The majority of the Group's expenditures are denominated in RUB, accordingly, operating profits are adversely impacted by appreciation of RUB against USD. In assessing this risk, management takes into consideration changes in gold price.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies other than functional currencies of the individual Group entities were as follows:

(in thousands of US Dollars)

33. Financial instruments risk management activities (continued)

Assets	**31 December**	
	2013	**2012**
USD	291,507	348,508
EURO	1,597	1,888
Total	**293,104**	**350,396**

Liabilities		
USD	1,098,881	381,499
EURO	93,767	14,087
Total	**1,192,648**	**395,586**

Currency risk is monitored on a monthly basis by performing sensitivity analysis of foreign currency positions in order to verify that potential losses are at an acceptable level.

The table below details the Group's sensitivity to changes of exchange rates by 10% which is the sensitivity rate used by the Group for internal analysis. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	Year ended 31 December	
	2013	**2012**
Profit or loss (RUB to USD)	80,737	3,852
Profit or loss (RUB to EURO)	12,688	1,612

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations to the Group on a timely basis, leading to financial losses to the Group. Credit risk arises from cash, cash equivalents and deposits kept with banks, loans granted, advances paid, promissory notes and trade and other receivables, and other investments in securities.

In order to mitigate the credit risk, the Group conducts its business with creditworthy and reliable counterparties, minimises the advance payments to suppliers, and actively uses letters of credit and other trade finance instruments.

The Group employs a methodology for in-house financial analysis of banks and non-banking counterparties, which enables the management to estimate an acceptable level of credit risk with regard to particular counterparties and to set appropriate individual risk limitations. Within the Group's core companies the procedures for preparing new agreements include analysis and contemplation of credit risk, estimation of the aggregate risk associated with a counterparty (arising both from an agreement under consideration and from previously existing contracts, if any) and verifying compliance with individual credit limits.

The Group's credit risk profile is regularly observed by management in order to avoid undesirable increase in risk, limit concentration of credit and to ensure compliance with the above mentioned policies and procedures.

Although the Group sells more than 84% of the gold produced to three major customers, the Group is not economically dependent on these customers because of the high level of liquidity in the gold commodity market. A substantial portion of gold sales are made to banks on advance payment or immediate payment terms, therefore credit risk related to trade receivables is minimal. The outstanding receivables for gold sales are presented as follows:

(in thousands of US Dollars)

33. Financial instruments risk management activities (continued)

	31 December	
	2013	**2012**
Trade receivables for gold sales	-	20,284

Gold sales to the Group's three major customers, individually exceeding 9% of the Group's gold sales are presented as follows:

	Year ended 31 December	
	2013	**2012**
Nomos Banks	1,057,160	1,092,484
VTB Bank	446,465	1,004,958
Bank of Moscow	390,789	239,301
Gold sales to three major customers (84% of the Group's gold sales)	**1,894,414**	**2,336,743**

Other receivables include amounts due in respect of the sale of electricity, transportation, handling and warehousing services and other services. The procedures for accepting a new customer include checks by the security department and responsible on-site management for business reputation, licences and certification, creditworthiness and liquidity.

Management of the Group believes that there is no other significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group manages liquidity risk by maintaining detailed budgeting and cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet its payment obligations.

Historically the Group has not relied extensively on external financing. Following the development of new capital projects during 2013, the Group issued notes and arranged certain external finance facilities with the banks, see note 27.

Management believes that, in case of need, the Group would be able to raise sufficient funding within a reasonable timeframe, and on favourable terms, due to its strong historical operations and positive operating cash flow.

The Group's cash management procedures include medium-term forecasting (budget approved each financial year and updated on a quarterly basis), short-term forecasting (monthly cash-flow budgets are established for each business unit and a review of each entity's daily cash position using a two-week rolling basis).

(in thousands of US Dollars)

33. Financial instruments risk management activities (continued)

Presented below is the maturity profile of the Group's financial liabilities as at 31 December 2013 based on undiscounted contractual payments, including interest payments:

	Borrowings*		Other non-current liabilities	Trade and other payables	Total
	Principal	Interest			
Due in the first year	268,693	60,711	-	214,385	543,789
Due in the second year	117,524	44,977	-	-	162,501
Due in the third year	25,924	44,291	-	-	70,215
Due in the fourth year	19,413	43,722	-	-	63,135
Due in the fifth year	9,145	43,417	-	-	52,562
Due in the period between sixth to eight years	770,921	57,712	-	-	828,633
Total	**1,211,620**	**294,830**	**-**	**214,385**	**1,720,835**

Presented below is the maturity profile of the Group's financial liabilities as at 31 December 2012 based on undiscounted contractual payments, including interest payments:

	Borrowings*		Other non-current liabilities	Trade and other payables	Total
	Principal	Interest			
Due within three months	11,481	2,053	524	282,997	297,055
Due within three to nine months	61,235	4,526	-	-	65,761
Due within nine to twelve months	115,294	2,673	-	-	117,967
Due in the second year	52,811	4,080	-	-	56,891
Due in the third year	108,366	659	-	-	109,025
Due in the fourth year	290	2	-	-	292
Due in thereafter	-	-	-	-	-
Total	**349,477**	**13,993**	**524**	**282,997**	**646,991**

34. Events after the reporting date

There have been no material reportable events since 31 December 2013 and the date of signing the report.

* Borrowings are presented net of upfront commissions paid to banks.

(in thousands of US Dollars)

35. Investments in significant subsidiaries

35.1 Information about significant subsidiaries of the Group

Subsidiaries	Nature of business	Effective % held[1] at 31 December 2013	2012
Incorporated in Russian Federation			
OJSC "Polyus Gold"[2]	Management company	95	95
CJSC "Gold Mining Company Polyus"	Mining (open pit)	95	95
OJSC "Aldanzoloto GRK"	Mining (open pit)	95	95
OJSC "Lenzoloto"	Market agent	61	61
CJSC "ZDK Lenzoloto"	Mining (alluvial)	63	63
CJSC "Lensib"[3]	Mining (alluvial)	38	38
CJSC "Svetliy"	Mining (alluvial)	53	53
CJSC "Marakan"	Mining (alluvial)	53	53
CJSC "Dalnaya Taiga"	Mining (alluvial)	52	52
CJSC "Sevzoto"[3]	Mining (alluvial)	41	41
OJSC "Matrosova Mine"	Mining (development stage)	95	95
CJSC "Tonoda"	Mining (exploration stage)	95	95
OJSC "Pervenets"	Mining (open pit)	95	95
OJSC "South-Verkhoyansk Mining Company"	Mining (exploration stage)	95	95
LLC "Polyus Stroy"	Construction	95	95
Incorporated in British Virgin Islands			
Polyus Exploration Limited	Geological research	95	95
Jenington International Incorporated	Market agent	95	95
Incorporated in Kazakhstan			
JSC "MMC Kazakhaltyn"	Mining (underground)	-	100

1. Effective % held by the Company, including holdings by other subsidiaries of the Group.
2. Effective % includes 92.95% of ordinary shares held directly by the Company as at 31 December 2013 and 2012.
3. The Company maintains control of these entities as it continues to govern their financial and operating policies and manage returns from them through its ability to appoint the majority in the Board of Directors. A majority of the Board members for these entities are representatives of the Company and are therefore consolidated even though the effective interest is less than 50% as at 31 December 2013 and 2012 and for the years then ended. Direct ownership in those subsidiaries by immediate parent is in each case exceeds 50%, and there are no other additional agreements or other instances which could have set limits on the Company's ability to execute its control over its subsidiaries.

(in thousands of US Dollars)

35. Investments in significant subsidiaries (continued)

35.2 Summarised financial information of each of the Group's subsidiary that have a material non-controlling interest

The summarised financial information below represents amounts before intragroup eliminations.

Summarized statements	OJSC "Polyus Gold" consolidated		OJSC "Lenzoloto" consolidated	
	2013	2012	2013	2012
Information as at 31 December				
Current assets	1,994,597	2,393,823	175,523	215,118
Non-current assets	3,822,698	3,240,275	68,881	72,301
Current liabilities	536,031	805,513	25,120	25,137
Non-current liabilities	1,157,767	351,572	13,522	9,232
Equity attributable to the owners of the subsidiary	3,848,218	4,194,368	127,060	157,348
Non-controlling interests	275,279	282,645	78,702	95,702
Information for the years ended 31 December				
Revenue	2,258,599	2,618,024	277,351	363,552
(Loss) / profit for the year	(61,004)	891,931	(2,142)	73,118
(Loss) / profit attributable to non-controlling interests	(3,825)	20,298	12,966	20,977
Total comprehensive (loss) / income	(380,002)	1,087,942	(2,142)	73,118
Net cash inflow from operating activities	428,380	968,543	74,470	110,968
Net cash (outflow) / inflow from investing activities	(1,160,594)	(1,255,066)	5,018	(61,467)
Net cash inflow / (outflow) from financing activities	635,969	452,847	(82,622)	(112,094)
Dividends paid to non-controlling interests	42,967	47,547	25,741	35,425

35.3 Significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the group

The basis of distribution of accumulated retained earnings for companies operating in the Russian Federation is defined by legislation as the current year net profit of the company, as calculated in accordance with Russian accounting standards. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to legal interpretation and accordingly management believes at present it would not be appropriate to disclose an amount for the distributable profits and reserves in these consolidated financial statements.