JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

Separate financial statements
for the year ended 31 December 2012

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management of Joint Stock Company National Company Kazakhstan Engineering (the "Company") is responsible for the preparation of the separate financial statements that present fairly, in all material aspects, the financial position of the Company as at 31 December 2012, the results of its operations, cash flows, changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The separate financial statements for the year ended 31 December 2012 were approved and authorised for issue by management of the Company on 15 March 2013.

On behalf of the management of the Company:

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director-chief accountant of Corporate Finance and Accounting Department

15 March 2013
Astana, Kazakhstan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of directors and Shareholder of JSC National Company Kazakhstan Engineering

We have audited the accompanying separate financial statements of Joint Stock Company National Company Kazakhstan Engineering (the "Company"), which comprise the separate statement of financial position as at 31 December 2012, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in Note 7 to the accompanying separate financial statements, in 2012 the Company made the decision to reflect the investments in subsidiaries at their revalued amount at the date of their contribution to share capital of the Company (5 March 2004). This adjustment of 3,330,650 thousand tenge was recognized in the separate statement of changes in equity for 2012. We were not able to obtain sufficient appropriate audit evidence as to the adjusted value of the Company's investments in subsidiaries as at the date of the contribution. Also, according to the accounting policy of the Company described in Note 2, the Company accounts for the investments in subsidiaries at cost net of impairment losses. However, as indicated in Note 7, the Company did not perform a test for impairment of investments in the presence of indicators, which provide potential reduction in cost, which does not meet the requirements of IAS 36 Impairment of Assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

We draw attention to Note 2 to the separate financial statements, which describes that the separate financial statements are the financial statements of the parent company of JSC National Company Kazakhstan Engineering. The Company also prepares consolidated financial statements. These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by management on 15 March 2013. Our opinion is not qualified in respect of this matter.

Deloitte, LLP

Tatyana Gutova
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate No.0000314
dated 23 December 1996

Deloitte, LLP
Governmental license on auditor activities
on territory of the Republic of Kazakhstan
No.0000015, type MFU - 2, issued by the Ministry
of Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

15 March 2013
Almaty, Kazakhstan

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

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

	Notes	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	523,186	292,949
Intangible assets	5	133,917	54,105
Investment property	6	45,196	54,753
Investments in subsidiaries	7	5,834,130	1,662,036
Investments in associates	8	302,580	301,585
Investments in joint ventures	9	1,355,976	1,282,986
Deferred tax assets	28	196,802	58,051
Other non-current assets		58,267	4,417
		8,450,054	3,710,882
CURRENT ASSETS:			
Inventory	10	244,395	232,941
Trade and other receivables	11	277,379	419,629
Income tax prepaid		3,521	3,521
Other taxes recoverable		3,525	7,033
Finance lease receivable	31	-	191,537
Loans given	12	7,401,767	493,395
Other current assets	13	324,200	357,967
Cash and cash equivalents	14	7,258,319	2,798,077
		15,513,106	4,504,100
TOTAL ASSETS		23,963,160	8,214,982
EQUITY AND LIABILITIES			
EQUITY:			
Charter capital	15	12,101,802	12,101,802
Additional paid-in capital	16	314,689	94,223
Accumulated deficit		(1,796,583)	(4,500,518)
		10,619,908	7,695,507
NON-CURRENT LIABILITIES:			
Debt securities issued	18	4,327,836	-
Other non-current liabilities	21	-	66,000
		4,327,836	66,000

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE FINANCIAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONTINUED)

(in thousands of tenge)

	Notes	31 December 2012	31 December 2011
CURRENT LIABILITIES:			
Non-bank borrowings	17	4,910,317	127,827
Current portion of debt securities issued	18	34,005	-
Trade and other payables	19	2,928,766	80,627
Income tax payable		225,070	-
Other taxes payable	20	245,215	101,306
Other current liabilities	21	672,043	143,715
		9,015,416	453,475
TOTAL EQUITY AND LIABILITIES		23,963,160	8,214,982

On behalf of the management of the Company:

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director-chief accountant of Corporate Finance and Accounting Department

15 March 2013
Astana, Kazakhstan

The notes on pages 10-38 form an integral part of these separate financial statements. The Independent Auditors' Report is on pages 2-3.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of tenge)

	Notes	2012	2011
REVENUE	22	18,666,806	13,076,888
COST OF SALES	23	(16,131,891)	(12,120,831)
GROSS PROFIT		2,534,915	956,057
General and administrative expenses	24	(1,271,519)	(756,030)
Selling expenses		(83,155)	-
Provisions	25	(2,286,023)	(600,637)
Other income		40,414	13,206
Other expenses		(54,947)	-
Net foreign exchange gain		12,923	1,628
Dividends income		1,178,545	332,702
Finance income	26	415,053	157,216
Finance costs	27	(388,514)	(30,002)
PROFIT BEFORE INCOME TAX EXPENSES		97,692	74,140
INCOME TAX EXPENSES	28	(31,202)	(38,928)
NET PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR		66,490	35,212

On behalf of the management of the Company:

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director-chief accountant of Corporate Finance and Accounting Department

15 March 2013
Astana, Kazakhstan

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JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

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

	Notes	Charter capital	Additional paid-in capital	Accumulated deficit	Total
At 1 January 2011		12,101,802	94,223	(4,419,730)	7,776,295
Total profit and total comprehensive income for the year		-	-	35,212	35,212
Dividends	15	-	-	(116,000)	(116,000)
At 31 December 2011		12,101,802	94,223	(4,500,518)	7,695,507
Total profit and total comprehensive income for the year		-	-	66,490	66,490
Dividends	15	-	-	(693,205)	(693,205)
Fair value adjustment on interest free loan, less deferred tax effect of 55,117 thousand tenge	17	-	220,466	-	220,466
Adjustment to revalued amount of investments at the date of contribution to charter capital of subsidiaries	7	-	-	3,330,650	3,330,650
At 31 December 2012		12,101,802	314,689	(1,796,583)	10,619,908

On behalf of the management of the Company:

«Национальная компания «Казахстан инжиниринг» (Kazakhstan Engineering) Ұлттық компаниясы»

Zhetenova A. K.
Managing Director

Mukushey B. A.
Director-chief accountant of Corporate Finance and Accounting Department

15 March 2013
Astana, Kazakhstan

The notes on pages 10-38 form an integral part of these separate financial statements. The Independent Auditors' Report is on pages 2-3.

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of tenge)

	Notes	2012	2011
OPERATING ACTIVITY:			
Profit before income tax expenses		97,692	74,140
Adjustments for:			
Depreciation and amortisation	24	52,448	42,530
Allowance for doubtful debts	25	1,846,980	457,915
Allowance for impairment of investments	25	-	49,109
Provision for employees benefits	25	263,769	69,000
Gain on disposal of property, plant and equipment		-	(3,637)
Other provisions	25	138,284	-
Provision for unused vacation	25	36,990	24,613
Dividends income		(1,178,545)	(332,702)
Finance income	26	(415,053)	(157,216)
Finance costs	27	388,514	30,002
Cash flow from operating activities before movements in working capital		1,231,079	253,754
Changes in working capital:			
Change in trade and other receivables		(314,185)	(165,919)
Change in advances given		109,469	(53,585)
Change in other taxes recoverable		3,508	3,064
Change in other assets		345,930	(138,921)
Change in inventory		(11,454)	(2,991)
Change in trade and other payables		2,772,407	(52,791)
Change in other taxes payable		126,721	89,638
Change in other liabilities		73,285	(3,085)
Cash generated by/(used in) operating activity		4,336,760	(70,836)
Income tax paid		-	(10,993)
Interests paid		(97,396)	-
Net cash generated by/(used in) operating activity		4,239,364	(81,829)
INVESTING ACTIVITY:			
Acquisition of property, plant and equipment		(98,963)	(25,873)
Acquisition of intangible assets	5	(87,166)	(2,706)
Interest-free financial aid given to related parties	12	(10,656,548)	(2,268,000)
Proceeds from repayments of interest-free financial aid given to related parties	12	2,001,500	1,772,200
Acquisition of investments in subsidiaries	7	(546,984)	-
Acquisition of investments in associates		-	(16,470)
Acquisition of investments in joint ventures		-	(1,185,000)
Proceeds from disposal of investment in subsidiary	8	8,507	-
Proceeds from disposal of investment in associate		-	89
Dividends received		1,175,870	351,341
Net cash used in investing activity		(8,203,784)	(1,374,419)

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

	Notes	2012	2011
FINANCING ACTIVITY:			
Dividends paid	15, 21	(743,205)	-
Loan received from Parent company	17	5,000,000	-
Bonds issued		4,317,912	-
Repayment of interest-free financial aid from Parent company	17	(150,045)	(100,000)
Net cash generated by/(used in) financing activity		8,424,662	(100,000)
CHANGE IN CASH AND CASH EQUIVALENTS, net		4,460,242	(1,556,248)
CASH AND CASH EQUIVALENTS, at the beginning of the year	14	2,798,077	4,354,325
CASH AND CASH EQUIVALENTS, at the end of the year	14	7,258,319	2,798,077

Significant non-cash transactions:

In 2012, the Company received industrial building as offset against receivables from JSC 832 Motor-repair Plant KE in the amount of 166,811 thousand tenge in accordance with the valuation of an independent appraiser.

In 2011, the Company received industrial building amounting to 119,460 thousand tenge as offset against receivables from JSC 832 Motor-repair Plant KE according to the valuation made by an independent appraiser and transferred this building to the charter capital of the associate, Indra Kazakhstan Engineering LLP, amounting to 119,460 thousand tenge.

On behalf of the management of the Company:

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director-chief accountant of Corporate Finance and Accounting Department

15 March 2013
Astana, Kazakhstan

The notes on pages 10-38 form an integral part of these separate financial statements. The Independent Auditors' Report is on pages 2-3.

(in thousands of tenge)

1. GENERAL INFORMATION

Joint Stock Company National Company Kazakhstan Engineering ("Kazakhstan Engineering" or the "Company") was incorporated based on Resolution of the Government of the Republic of Kazakhstan No. 244 dated 13 March 2003 with a purpose to enhance management system of the military and industrial complex of the Republic of Kazakhstan. The Company was registered as a legal entity with the Department of Justice of Astana on 16 April 2003 (registration certificate No.13659-1901-AO). On 20 May 2005, the Company was re-registered by the Department of Justice of Astana (registration certificate No.13659-1901-AO).

As at 31 December 2012 and 2011, the Company's sole shareholder is JSC Sovereign Wealth Fund Samruk-Kazyna. As at 31 December 2012, the Company's 100% shares were transferred under trust management to the Ministry of Defence of the Republic of Kazakhstan.

Principal activity of the Company is:

- participation in state policy on development, production, realisation and liquidation of goods and equipment of defence, civil and twofold purposes;
- participation in development and realisation of current and long-term inter-industry development and production programs of defence and twofold purpose products for supply with internal needs and export;
- production and import of armament, military technics and twofold purpose products for armed forces and other military services of the Republic of Kazakhstan and its export;
- development and realisation of conversion programs and defence-production complex programs;
- participation in execution of state defence orders, forming and realisation of plans for forming and storing mobilization reserves;
- production of oil and gas, railway, aviation, agricultural, ship contracting equipment, production of civil goods.

Legal name:	Joint Stock Company National Company Kazakhstan Engineering
Legal address:	10, Kunayev str., Astana, Republic of Kazakhstan
Legal registration number:	13659-1901-AO
Legal status:	Joint Stock Company

As at 31 December 2012, number of Company's employees amounted to 80 employees (31 December 2011: 64 employees).

Operating Environment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The separate financial statements of the Company have been prepared in accordance wtih International Financial Reporting Standards ("IFRS"). The separate financial statements have been prepared on the historical cost basis except for certain financial instruments.

These separate financial statements are the financial statements of the parent company, JSC National Company Kazakhstan Engineering. Subsidiaries were not consolidated to these separate financial statements. Investments to subsidiaries and associates were measured at cost less impairment losses. These separate financial statements shall be read in conjunction with the consolidated financial statements which were authorized for issue by the Company management on 15 March 2013.

The consolidated financial statements of JSC National Company Kazakhstan Engineering prepared in accordance with IFRS were made available for public use by the Company operating under the legislation of the Republic of Kazakhstan. The consolidated financial statements are available at the head office located at the following address: 10, Kunayev Street, 010000 Astana, Republic of Kazakhstan.

Functional and presentation currency

These separate financial statements are denominated in Kazakhstani tenge ("tenge") which is the functional currency of the Company and the presentation currency of these separate financial statements. All financial information presented in tenge has been rounded to the (nearest) thousand.

Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations adopted during the current year

The Company adopted the following new and revised Standards and Interpretations during the current year:

- IAS 12 Income Taxes – Change in limited scope (recovery of underlying assets) (effective for reporting periods beginning on or after 1 January 2012);
- Amendments to IFRS 7 Financial Instruments: Disclosures, enhancing disclosures about transfer of financial assets (effective for reporting periods beginning on or after 1 July 2011).

In addition, the Company adopted the amendments to various other standards that were part of the annual initiative aimed at the general improvement of the effective International Financial Reporting Standard. These amendments were related to certain expressions and issues regarding presentation of separate financial statements, issues of recognition and measurement. The improvements have led to a number of changes in the detail of the Company's accounting policies – some of which are changes in terminology only and had no material effect on amounts reported.

The adoption of the above standards had no impact on the results of operations or financial position of the Company and on notes to the separate financial statements.

Standards and Interpretations issues but not effective

At the date of authorization of these separate financial statements the following Interpretations and Standards were issued but not yet effective:

- IAS 1 Presentation of Financial Statements – Amendments related to presentation of items of other comprehensive income (effective for reporting periods beginning on or after 1 July 2012);
- IFRS 7 Financial Instruments: Disclosures – Amendments requiring disclosure of information on first-time adoption of IFRS 9 (effective for reporting periods beginning on or after 1 January 2015);

- IFRS 9 Financial Instruments (effective for reporting periods beginning on or after 1 January 2015);
- IFRS 10 Consolidated Financial Statements (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 11 Joint Arrangements (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 12 Disclosure of Interests in Other Entities (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 13 Fair Value Measurement (effective for reporting periods beginning on or after 1 January 2013);
- IAS 19 Employee Benefits (June 2011) – Amendments resulting from the post-employment benefits and termination benefits projects (effective for reporting periods beginning on or after 1 January 2013);
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for reporting periods beginning on or after 1 January 2013);
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for reporting periods beginning on or after 1 January 2013);
- IAS 32 Financial Instruments: Presentation – Amendments relating to the offsetting of financial assets and liabilities (effective for reporting periods beginning on or after 1 January 2014).

In May 2011, a package of five standards was issued (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)), in which the consolidations, joint arrangements, investments in associates and disclosure of information issues were considered. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that all of the above five standards will be adopted in the Company's separate financial statements in the period beginning of their effective dates and that the adoption of these Standards and Interpretations will not have a material impact on the separate financial statements of the Company in the period of initial application.

Significant accounting policies

Foreign currency transactions

In preparing the separate financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Investments in subsidiaries

Investments in subsidiaries are measured at cost less impairment losses in these separate financial statements.

Investments in associates and jointly-controlled entities

Investments in associates and jointly controlled entities are measured at cost less impairment losses in these separate financial statements. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. A jointly controlled entity is a contractual agreement under which two or more parties are engaged in an economic activity subject to joint control.

Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and impairment losses. Property, plant and equipment acquired before 31 December 2006 are stated at their fair value which was determined by an independent appraiser which is deemed cost at the date of transition to IFRS. Cost includes all expenses directly related to acquisition of a respective asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost of construction includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. The estimated useful lives, carrying values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Group of assets	**Average useful lives**
Buildings and constructions	8 - 100 years
Machinery and equipment	3 - 20 years
Vehicles	5 - 10 years
Other assets	4 - 20 years

Assets received under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives at rates of 10-20%. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses. Depreciation of investment properties is charged based on a straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period when the property is derecognised.

Impairment of tangible and intangible assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Inventory

Inventories are stated at the lower of cost and net realisable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make sale, selling and distribution. Cost is calculated using the weighted average method.

Recognition of financial instruments

The Company recognizes financial assets and liabilities in its separate statement of financial position when, and only when, it becomes a part of the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration received or paid including or net of any transaction costs incurred, and subsequently recorded at the fair value or amortized value.

The fair value is usually determined with a reference to the official market quotes. If the market quotes are not available, the fair value is determined using generally accepted evaluation methods, such as discounted future cash flows based on market data.

The amortized value is determined using the effective interest method. The effective interest rate is the rate of discounting expected future cash inflows (including all received or made payments on a debt instrument, being an integral part of an effective interest rate, transaction processing costs and other premiums or discounts) for the expected period until repayment of a debt instrument or (if applicable) for a shorter period, to the carrying amount at the moment of recognition of a debt instrument.

Financial assets

Financial assets are classified into the following specified 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 assets and is determined at the time of initial recognition.

Cash

Cash and cash equivalents comprise cash in bank, cash in transit and cash on hand.

Trade accounts receivable

Trade accounts receivable are recognized and carried in the financial statements at the original invoice amount less an allowance for any doubtful debts. An estimate of allowance for doubtful debts is made when collection of the full amount is no longer probable. The allowance for doubtful debts is reviewed periodically, and as adjustments become necessary, they are reported as profit or loss in the reporting period in which adjustments become necessary. Bad debts are written off when identified against the allowances previously accrued.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less any impairment. Income and expenses arising upon derecognition of the assets in the financial statements as well as upon impairment and amortization are recognised in the separate statement of comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the following occurred: a significant change in the estimated future cash flows of the investment; significant financial difficulty of the issuer or counterparty; breach of contract, such as a default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or the disappearance of an active market for that financial asset because of financial difficulties. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's 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.

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 profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. All non-monetary contributions to the charter capital are measures at fair value by an independent appraiser at the date of transfer. Any excess of the fair value of the funds received over the nominal value of the shares issued is recognized as additional paid-in capital.

The funds received for unissued ordinary shares are recognized as unissued share capital till the issue of ordinary shares when such proceeds are transferred to the share capital.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities are represented by contractual agreements recognized when liabilities under contracts arise.

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently revalued at amortized cost using the effective interest method.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, which represents fair value of the consideration received less directly attributable borrowing costs.

After initial recognition, interest-bearing loans and borrowings are subsequently carried at amortized cost using the effective interest method.

Income and expenses, other than borrowing costs eligible for capitalization (for example, commission on guarantees of third parties), are recognized in the separate statement of comprehensive income when the liabilities are derecognized as well as during accounting for the amortization.

Offsets

Financial assets and liabilities can be offset and reported at the net amount in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged or cancelled or expires.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Revenue from the sale of goods is recognised when the goods are delivered and the title has been transferred.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Dividends and interests income

Dividends income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interests income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Lease

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

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the separate statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, 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 borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

The Company contributes 10% of each employee's salary to an employee pension fund, but no more than 130,792 thousand tenge per month (2011: no more than 119,992 tenge per month). Pension fund contributions are withheld from employee salaries and included in general payroll costs in the statement of comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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 deferred tax 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.

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

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognized when the Company has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that the obligation can be reliably estimated. The amount recognized as a provision represents the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainty 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 (if the effect of the time value of money is significant).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the separate financial statements in conformity with IFRS requires the management of the Company to make judgments and use subjective estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the effective date of the separate financial statements and reported amounts of revenues and expenses during the reporting period. Despite the fact that these estimates are based on historic data and other material factors, the events or actions can occur in a way that actual outcomes could differ from these estimates.

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.

Useful lives of property, plant and equipment

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

Warranty obligations

Provision for warranties issued is recognized upon sale of relevant goods and services. The amount of such provision is calculated on the basis of historical data accumulated for prior periods measuring all possible outcomes at the ratio of their likelihood.

Impairment of assets

At each reporting date the Company management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. The determination of impairment of property, plant and equipment is based on a large number of factors, such as expectations of growth, expected cash flow, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

If any such indication exists, the Company estimates the recoverable amount of the asset and compares it with the carrying amount of an asset. If the carrying amount exceeds the recoverable value of the asset, the asset is considered impaired. The recoverable value is determined as the greater of two amounts: fair value of the asset less selling expenses and value in use. In estimating the value in use the estimated future cash flows are discounted to their current value using discount rate before tax, which, in the management's opinion, reflects the current market estimate of time value of money and risks inherent in assets. A change in estimated recoverable value can result in impairment or its reversal in the future periods.

Measurement of inventories

Inventories are measured at the lower of the cost or net realizable value. The Company recognizes a relevant provision reducing the cost of slow-moving and obsolete inventories to net realizable value. Actual sales amount from disposal of such inventories can differ from net realizable value and any such difference can have a significant impact on future operating results.

Taxation

Various Kazakh legislative acts and regulations are not always drafted clearly. There can be discordance of opinions between local, regional and republican tax authorities. There is a risk that the Company may be assessed additional taxes, significant penalties and fines. A penalty amounts to 50% of the additional tax, fines amounts to 22.5% of a late tax payment. As a result, penalties and fines can exceed additional tax amounts.

Due to the above uncertainty, a potential amount of taxes, penalties and fines can exceed the amount charged to expenses to date and accrued as at 31 December 2012. Differences between estimates and actual amounts, if any, can have a significant effect on the Company's profit in the future periods.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and construction	Machinery, equipment and vehicles	Other assets	Construction in progress	Total
Cost:						
At 1 January 2011	1,742	339,727	123,012	37,111	8,033	509,625
Additions	-	-	6,726	19,147	-	25,873
Transfer to investment property (Note 6)	-	(119,463)	-	-	-	(119,463)
Internal transfer	-	-	(740)	740	-	-
Disposal	-	-	(8,686)	(3,110)	-	(11,796)
At 31 December 2011	1,742	220,264	120,312	53,888	8,033	404,239
Additions	36,878	129,933	58,155	23,638	17,170	265,774
Internal transfer	-	-	-	17,170	(17,170)	-
At 31 December 2012	38,620	350,197	178,467	94,696	8,033	670,013
Accumulated depreciation and impairment:						
At 1 January 2011	-	(102,817)	(28,151)	(18,039)	-	(149,007)
Charge for the year	-	(8,261)	(8,533)	(8,442)	-	(25,236)
Disposal	-	-	3,894	3,110	-	7,004
Transfer to investment property (Note 6)	-	55,949	-	-	-	55,949
Internal transfer	-	9,723	(9,763)	40	-	-
At 31 December 2011	-	(45,406)	(42,553)	(23,331)	-	(111,290)
Charge for the year	-	(15,774)	(8,449)	(11,314)	-	(35,537)
At 31 December 2012	-	(61,180)	(51,002)	(34,645)	-	(146,827)
Carrying value:						
At 31 December 2012	38,620	289,017	127,465	60,051	8,033	523,186
At 31 December 2011	1,742	174,858	77,759	30,557	8,033	292,949

Cost of fully depreciated property, plant and equipment as at 31 December 2012 and 2011 was 7,196 thousand tenge and 3,069 thousand tenge, respectively.

As at 31 December 2012 and 2011, the Company has property, plant and equipment with the carrying value of 221,992 thousand tenge and 237,168 thousand tenge, respectively, which were removed from active service and put into conservation. The Company management believes that these property, plant and equipment are not impaired as their availability allows the Company to have licenses required to carry out its principal activity.

5. INTANGIBLE ASSETS

	Software	Other	Total
Cost:			
At 1 January 2011	28,560	85,018	113,578
Additions	2,706	-	2,706
Disposals	(1,818)	-	(1,818)
At 31 December 2011	29,448	85,018	114,466
Additions	87,166	-	87,166
At 31 December 2012	116,614	85,018	201,632
Accumulated amortization and impairment:			
At 1 January 2011	(24,347)	(29,299)	(53,646)
Charge for the year	(2,865)	(5,668)	(8,533)
Disposals	1,818	-	1,818
At 31 December 2011	(25,394)	(34,967)	(60,361)
Charge for the year	(1,686)	(5,668)	(7,354)
At 31 December 2012	(27,080)	(40,635)	(67,715)
Carrying value:			
At 31 December 2012	89,534	44,383	133,917
At 31 December 2011	4,054	50,051	54,105

6. INVESTMENT PROPERTY

	2012	2011
Cost:		
At 1 January	119,463	-
Transfer from property, plant and equipment (Note 4)	-	119,463
At 31 December	119,463	119,463
Accumulated depreciation and impairment:		
At 1 January	(64,710)	-
Transfer from property, plant and equipment (Note 4)	-	(55,949)
Charge for the year	(9,557)	(8,761)
At 31 December	(74,267)	(64,710)
Carrying value:		
At 31 December	45,196	54,753

7. INVESTMENTS IN SUBSIDIARIES

	31 December 2012	31 December 2011
JSC 811 Motor-repair Plant KE	80,153	60,530
JSC 832 Motor-repair Plant KE	143,866	156,543
JSC Plant after Kirov	493,386	192,109
JSC Machinery plant after Kirov	1,804,110	79,484
JSV Munaimash	212,567	51,677
JSC Research Institute Hydropribor	102,402	64,322
JSC Instrument making plant Omega	285,620	146,385
JSC Petropavlovsk heavy machinery construction plant	873,480	493,513
JSC Semei engineering	479,030	290,579
JSC Semipalatinsk machinery construction plant	437,472	214,710
JSC Tynys	484,162	219,647
JSC Uralsk plant Zenith	120,637	43,864
JSC KazEng Electronics	429,789	306,765
The united center of armament controlling systems introduction LLP	515,718	111,725
Kazakhstan Aviation Industry LLP	152,125	-
Kuzet LLP	4,177	5,245
Kazakhstan engineering Distribution LLP	-	16,681
	6,618,694	2,453,779
Less: allowance for impairment	(784,564)	(791,743)
	5,834,130	1,662,036

In March 2004, the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan ("Former Shareholder") had made a contribution to the charter capital of the Company by shares in subsidiaries in the amount of 4,498,094 thousand tenge, which were valued by independent appraisers. In the financial statements as at 31 December 2011, investments in subsidiaries were stated at cost less impairment losses. In 2012, the Company made a decision to reflect the investments at their revalued amount at the date of contribution and recognised the adjustment in the amount of 3,330,650 thousand tenge in the separate statement of changes in equity. The Company has not performed impairment test of the investments.

During 2012, the Company provided interest-free financial aid to subsidiaries and recognized a fair value adjustment in the amount of 294,828 thousand tenge within the investments (2011: 102,404 thousand tenge) (Note 12).

During 2012, the Company acquired a 100% interest in the Kazakhstan Aviation Industry LLP for cash in the amount of 120 thousand tenge. Subsequently, the Company increased the charter capital of this company by cash in the amount of 152,005 thousand tenge.

In addtion, during 2012, the Company increased the charter capital of The united center of armament controlling systems introduction LLP by cash in the amount of 394,859 thousand tenge and by non-monetary assets in the amount of 9,134 thousand tenge.

In 2011, the Company increased the charter capital of JSC 832 Motor-repair Plant KE and Kazakhstan engineering Distribution LLP by non-monetary assets in the amount of 8,429 thousand tenge.

The movement in allowance for impairment for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
At the beginning of the year	(791,743)	(786,498)
Accrued for the year (Note 25)	-	(5,245)
Transfer to associate (Note 8)	7,179	-
At the end of the year	(784,564)	(791,743)

The list of subsidiaries of the Company specifying the principal activity, location and the Company's ownership interest as at 31 December is presented as follows:

Subsidiary	Principal activity	Location	Ownership interest 31 December 2012	Ownership interest 31 December 2011
JSC 811 Motor-repair Plant KE	Repair of automotive vehicles, armour, power packs and power plants; modernization of equipment	Republic of Kazakhstan	100%	100%
JSC 832 Motor-repair Plant KE	Repair of automotive vehicles	Republic of Kazakhstan	100%	100%
JSC Plant after Kirov	Navigation systems, radio stations, operating desks for railway complex; control unit and automated devices for oil and gas complexes	Republic of Kazakhstan	84%	84%
JSC Machinery plant after Kirov	Sea underwater weapon and hydraulic and automated combustion devices for sea vehicles; pneumatic hammers for mining industry; spare parts for railway complex	Republic of Kazakhstan	98%	98%
JSC Munaimash	Oil well pumps for oil and gas sector, consumer goods	Republic of Kazakhstan	52%	52%
JSC Research Institute Hydropribor	Engineering and research as well as manufacturing of sea and river lifeboats, ships, vessels and other water crafts and underwater vehicles, surface and air robots and lifeboats, equipment for underwater examination and repair of pipelines, boring rigs, underwater facilities	Republic of Kazakhstan	93%	93%
JSC Instrument making plant Omega	Water purification device Taza Su; parts and components for railway; digital automatic telephone station and components, telephone sets; consumer goods	Republic of Kazakhstan	99%	99%
JSC Petropavlovsk heavy machinery construction plant	Special-purpose equipment for oil fields, pressure vessels, instruments for repair and maintenance of rail ways, parts of rolling-stock; manufacture and sale of special-purpose products, manufacture and update of modern samples of military technology	Republic of Kazakhstan	100%	100%
JSC Semei engineering	Repair of armament of armoured force vehicles and military equipment; engines, transportation vehicles	Republic of Kazakhstan	100%	100%
JSC Semipalatinsk machinery construction plant	Crawler tractors, hatch covers for freight cars, repair of engineering equipment	Republic of Kazakhstan	99%	99%
JSC Tynys	Medical equipment, induced gas fittings, aircraft devices, polyethylene pipes, fire-extinguishing means	Republic of Kazakhstan	99%	99%
JSC Uralsk plant Zenith	Lifeboats and ships for Naval Forces of Kazakhstan; engineering and manufacture of steel constructions, spare parts for oil and gas complex	Republic of Kazakhstan	95%	95%
JSC KazEng Electronics	Research in the field of radio electronics, development of automated management systems, development and implementation of programmes and technologies	Republic of Kazakhstan	100%	100%
The united center of armament controlling systems introduction LLP	Development and mastering of new kinds of special-purpose equipment for the military-industrial complex using automated armament management systems	Republic of Kazakhstan	100%	100%
Kazakhstan Aviation Industry LLP	Production of unmanned aerial systems, repair and assembly of aircrafts	Republic of Kazakhstan	100%	-
Kuzet LLP	Security services	Republic of Kazakhstan	100%	100%
Kazakhstan engineering Distribution LLP	Sale of products manufactured by the entities of the Group, attracting investments, participation in state programmes and tenders for equipment supply	Republic of Kazakhstan	49%	100

These separate financial statements do not include the financial statements of subsidiaries.

8. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	31 December 2012		31 December 2011	
		Cost	Ownership interest, %	Cost	Ownership interest, %
JSC ZIKSTO	Repair of freight rail cars, repair of wheel sets with replacement of elements	20,455	42%	20,455	42%
Kaz-ST Engineering Bastau LLP	Investment holding activity and provision of defence, engineering services	42,864	49%	42,864	49%
KAMAZ-Semei LLP	Commercial activity	1,000	49%	1,000	49%
JSC KAMAZ-Engineering	Manufacture and sale of buses, cars, special-purpose equipment and its spare parts	207,000	25%	207,000	25%
Indra Kazakhstan engineering LLP	Manufacture of radar systems, systems of electronic warfare and intelligence	124,460	49%	124,460	49%
LLP Kazakhstan engineering Distribution	Sale of products manufactured by the entities of the Group, attracting investments, participation in state programmes and tenders for equipment supply	8,174	49%	-	0%
		403,953		395,779	
Less: allowance for impairment		(101,373)		(94,194)	
		302,580		301,585	

On 11 October 2012, the Company sold a 51% ownership interest in a subsidiary Kazakhstan engineering Distribution LLP for 8,507 thousand tenge, as a result of which started to account for the remaining interest as an investment in associate.

The movement in allowance for impairment for the years ended 31 December 2012 and 2011 is as follows:

	2012	2011
At the beginning of the year	(94,194)	(50,330)
Accrued for the year (Note 25)	-	(43,864)
Transfer from subsidiaries (Note 7)	(7,179)	-
At the end of the year	(101,373)	(94,194)

Investments in associates are stated at cost less impairment in these separate financial statements.

9. INVESTMENTS IN JOINT VENTURES

Name of joint venture	Principal activity	31 December 2012	31 December 2011
Thales Kazakhstan Engineering LLP	Development, manufacture and sale of electronic equipment, systems, software and provision of related services; manufacture, sale and technical maintenance of radio and communication equipment	87,336	87,336
Kazakhstan ASELSAN engineering LLP	Manufacture of electronic and optical devices	118,427	45,436
Eurocopter Kazakhstan engineering LLP	Manufacture and technical maintenance of helicopters	1,150,213	1,150,214
		1,355,976	1,282,986

During 2012, the Company recognized a fair value adjustment on loans given to Kazakhstan ASELSAN engineering LLP within the investments in the amount of 72,991 thousand tenge (2011: Kazakhstan ASELSAN Engineering LLP – 13,045 thousand tenge and Eurocopter Kazakhstan engineering LLP – 267 thousand tenge) (Note 12).

10. INVENTORY

	31 December 2012	31 December 2011
Goods	225,123	225,123
Raw materials	19,272	7,818
	244,395	232,941

11. TRADE AND OTHER RECEIVABLES

	31 December 2012	31 December 2011
Trade receivables from subsidiaries	81,170	529,214
Trade receivables from related parties	630,263	61,093
Other receivables	25,741	6,248
	737,174	596,555
Allowance for doubtful debts	(459,795)	(176,926)
	277,379	419,629

Movement in allowance for doubtful debts for the years ended 31 December 2012 and 2011 is presented as follows:

	2012	2011
At the beginning of the year	(176,926)	(820)
Accrued for the year (Note 25)	(283,165)	(176,982)
Written-off against previously created allowance	296	876
At the end of the year	(459,795)	(176,926)

As at 31 December 2012 and 2011, trade and other receivables are denominated in tenge.

12. LOANS GIVEN

	31 December 2012	31 December 2011
Short-term loans		
The united center of armament controlling systems introduction LLP	-	63,000
Kazakhstan ASELSAN engineering LLP	2,200,000	50,000
JSC Machinery plant after Kirov	1,608,075	401,400
JSC Instrument making plant Omega	18,943	18,943
JSC Semipalatinsk machinery construction plant	249,718	267,545
JSC Semei engineering	2,800,000	-
JSC Petropavlovsk heavy machinery construction plant	250,000	-
JSC Tynys	1,418,600	-
JSC Plant after Kirov	910,600	-
	9,455,936	800,888
Less: fair value adjustment	(222,809)	(39,948)
	9,233,127	760,940
Allowance for doubtful debts	(1,831,360)	(267,545)
	7,401,767	493,395

Movement in allowance for doubtful debts for the years ended 31 December 2012 and 2011 is presented as follows:

	2012	2011
At the beginning of the year	(267,545)	-
Accrued for the year (Note 25)	(1,563,815)	(267,545)
At the end of the year	(1,831,360)	(267,545)

During 2012, the Company provided interest-free financial aid to subsidiaries and joint ventures in the amount of 10,656,548 thousand tenge (2011: 2,268,000 thousand tenge). As at 31 December 2012, the interest-free financial aid was repaid in the amount of 2,001,500 thousand tenge (31 December 2011: 1,772,200 thousand tenge). The Company estimated fair value of the financial aid and recognised a fair value adjustment of 367,819 thousand tenge (2011: 115,716 thousand tenge) within the investments in subsidiaries (Note 7) and investments in joint ventures (Note 9). The Company applied effective interest rate of 7% (2011: 12% -16%) to estimate the fair value of financial aid. For the years ended 31 December 2012 and 2011, income from amortization of fair value adjustment of 184,958 thousand tenge and 83,155 thousand tenge was charged to finance income of the reporting period (Note 26).

13. OTHER CURRENT ASSETS

	31 December 2012	31 December 2011
Short-term advances given	33,292	140,988
Guarantees as the security of execution of the contract	283,895	212,982
Prepaid expenses	7,013	3,997
	324,200	357,967

As at 31 December 2012, short-term advances given include advances given to related parties of 1,773 thousand tenge (2011: nil).

As at 31 December 2012, guarantees as the security of execution of the contract are denominated in tenge.

14. CASH

	31 December 2012	31 December 2011
Cash on bank accounts in tenge	7,258,227	2,797,691
Petty cash in tenge	92	386
	7,258,319	2,798,077

As at 31 December 2012 and 2011, cash is denominated in tenge.

15. CHARTER CAPITAL

As at 31 December 2012 and 2011, authorized, issued and fully paid-up charter capital of the Company consisted of 12,101,802 common shares with the par value of 1,000 tenge, each.

As at 31 December 2012 and 2011, 100% Company's shares belong to JSC SWF Samruk-Kazyna.

In 2012, the Company declared dividends to the Shareholder for 2010-2011 of 48,352 thousand tenge and 644,853 thousand tenge, respectively.

In 2011, the Company declared dividends to the Shareholder for 2007-2008, 50,000 thousand tenge to be paid in 2012 and 66,000 thousand tenge to be paid in 2013.

16. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2012 and 2011, additional paid-in capital amounted to 314,689 thousand tenge and 94,223 thousand tenge, respectively. Additional paid-in capital includes the fair value adjustment on interest-free financial aid received from the Shareholder, net of deferred tax effect (Note 17).

17. NON-BANK BORROWINGS

	31 December 2012	31 December 2011
JSC Sovereign Wealth Fund Samruk-Kazyna	5,017,084	150,045
Less: fair value adjustment	(106,767)	(22,218)
	4,910,317	127,827

During 2008, the Company received an interest-free loan from the Shareholder for business development of 250,045 thousand tenge with maturity till 31 December 2012. The Company measured the fair value of the loan by applying the effective interest rate of 16.1%, and recognised a fair value adjustment of 117,779 thousand tenge, net of tax effect of 23,556 thousand tenge as additional paid-in capital in the separate statement of changes in equity. For the years ended 31 December 2012 and 2011, amortisation of discount of 22,218 thousand tenge and 30,002 thousand tenge, respectively, was recognized as finance costs (Note 27). In 2012, the Company fully repaid the loan (2011: 100,000 thousand tenge).

On 15 February 2012, the Company received a loan from Shareholder of 5,000,000 thousand tenge with annual interest rate of 3% and maturity till 30 December 2013.

The loan is for financing the establishment of center for production of electronic-optical equipment in Kazakhstan and for establishment of own production for moderisation, engineering-technical support and maintenance of military armored technics on the basis of subsidiary.

The Company measured the fair value of the loan using the effective annual interest rate of 7%, and recognised a fair value adjustment of 275,583 thousand tenge (2011: 117,779 thousand tenge), net of tax effect of 55,117 thousand tenge (2011: 23,556 thousand tenge) as additional paid-in capital in the separate statement of changes in equity. For the year ended 31 December 2012, amortisation of discount of 168,816 thousand tenge was recognized as finance costs (Note 27).

18. DEBT SECURITIES ISSUED

	Maturity	Coupon rate	31 December 2012	31 December 2011
Bond issued at a price of:				
95.2341% - Tranche 1	6 November 2015	5%	4,534,000	-
Including/(less):				
Accrued coupon			34,005	-
Discount on debt securities issued			(206,164)	-
Total bonds placed			4,361,841	-
Less: current portion of debt securities issued			(34,005)	-
Non-current portion of debt securities issued			4,327,836	-

As part of the objectives of the Company for the development of domestic machine-assembling sector, the Board of Directors (Minutes No.90 dated 26 September 2012) approved the first bond issue in the amount of 15 billion tenge under the Programme for the issuance of local bonds of the Company.

On 7 December 2012, the Company placed on Kazakhstan Stock Exchange 45,340 thousand local unsecured bonds (CFA-DBFUFR) with par value of 100 tenge for the amount of 4,534,000 thousand tenge with annual coupon rate of 5%. Coupon on bonds is paid 2 times a year from the date of placement.

19. TRADE AND OTHER PAYABLES

	31 December 2012	31 December 2011
Payables to subsidiaries	35,409	32,518
Payables to related parties	2,681,415	43,465
Other payables	211,942	4,644
	2,928,766	80,627

As at 31 December 2012 and 2011, trade and other payables were denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	2,326,732	80,627
US dollar	602,034	-
	2,928,766	80,627

20. OTHER TAXES PAYABLE

	31 December 2012	31 December 2011
VAT payable	209,823	77,890
Social tax	14,832	11,208
Personal income tax	11,342	10,856
Other taxes	9,218	1,352
	245,215	101,306

21. OTHER CURRENT LIABILITIES

	31 December 2012	31 December 2011
Dividends payable	66,000	116,000
Provision for employee benefits	332,769	69,000
Provision for unused vacation	61,603	24,613
Payroll liabilities	805	-
Guarantees for execution of contracts to related parties	61,470	-
Other payables	11,111	102
Provision for fines on taxes	90,028	-
Other provisions	48,257	-
	672,043	209,715
Including non-current portion of dividends payable	-	(66,000)
	672,043	143,715

As at 31 December 2012, guarantees for execution of contracts include guarantees for execution of contracts to related parties of 61,470 thousand tenge (2011: nil).

As at 31 December 2012, other provisions include provision for professional development in the amount of 48,256 thousand tenge (2011: nil).

As at 31 December 2012, the Company recognised a provision for fines on taxes for incorrect calculation of current income tax payments (2011: nil).

As at 31 December 2012 and 2011, other current liabilities are denominated in tenge.

22. REVENUE

	2012	2011
Revenue from sale of goods (Note 31)	18,216,814	12,857,596
Revenue from managerial services (Note 31)	449,992	219,292
	18,666,806	13,076,888

23. COST OF SALES

	2012	2011
Goods	15,303,071	10,443,038
Services from related parties	828,820	1,677,793
	16,131,891	12,120,831

For the year ended 31 December 2012, services from related parties represent repair of military equipment and instructional services of 828,820 thousand tenge (2011: 1,667,793 thousand tenge).

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Payroll and related taxes	635,197	405,152
Professional services	113,767	93,880
Rent	113,634	44,622
Taxes	109,801	42,184
Business trips and representative expenses	81,770	47,683
Depreciation and amortization	52,448	42,530
Personnel outsourcing	33,143	-
Informational services	29,900	-
Security	19,298	14,052
Materials	9,551	7,151
Insurance	8,519	2,809
Communication	5,870	5,958
Professional education and qualification development	4,427	2,411
Utilities	3,923	2,513
Repair and maintenance	884	5,534
Other	49,387	39,551
	1,271,519	756,030

25. PROVISIONS

	2012	2011
Accrual of allowance for doubtful debts (Notes 11 and 12)	1,846,980	457,915
Accrual of provision for employees benefits	263,769	69,000
Accrual of provision for fines on taxes	90,028	-
Accrual of provision for unused vacation	36,990	24,613
Accrual of allowance for impairment of investments (Notes 7 and 8)	-	49,109
Accrual of other provisions (Note 21)	48,256	-
	2,286,023	600,637

In 2011, allowance for doubtful debts include allowance for doubtful finance lease receivable of 13,388 thousand tenge.

26. FINANCE INCOME

	2012	2011
Interest income on current accounts	230,077	73,285
Interest on finance lease	18	776
Amortisation of fair value adjustment (Note 12)	184,958	83,155
	415,053	157,216

27. FINANCE COSTS

	2012	2011
Interests on borrowings	131,667	-
Amortisation of discount on bonds issued	9,924	-
Amortisation of fair value adjustment on borrowings (Note 17)	191,034	30,002
Coupon on bonds	34,005	-
Other	21,884	-
	388,514	30,002

28. TAXATION

	2012	2011
Current income tax expense	225,070	10,993
Deferred income tax (benefit)/expense	(193,868)	27,935
Income tax expenses	31,202	38,928

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

	31 December 2012	31 December 2011
Deferred tax assets		
Loans given	44,562	7,990
Tax losses carried forward	15,615	15,615
Allowance for doubtful debts	91,959	35,385
Provision for unused vacation, benefits and other provisions	88,526	18,723
Taxes	2,965	-
Total deferred tax assets	243,627	77,713
Deferred tax liabilities		
Property, plant and equipment and intangible assets	(25,472)	(15,218)
Borrowings	(21,353)	(4,444)
Total deferred tax liabilities	(46,825)	(19,662)
Net deferred tax assets	196,802	58,051

As at 31 December 2012, deferred tax assets are recognised as follows:

	31 December 2012	31 December 2011
In equity	(55,117)	-
In profit and losses	193,868	27,935

Reconciliation of the income tax expense at the rate of 20% for financial reporting purposes with the amounts used for statutory tax purposes is as follows:

	2012	2011
Profit before income tax expenses	97,692	74,140
Theoretical tax at statutory income tax rate of 20%	19,538	14,828
Change in unrecognized deferred assets	(32,298)	(4,792)
Tax effect from permanent differences	43,962	28,892
Income tax expenses	31,202	38,928

29. CONTINGENT LIABILITIES

Tax and regulatory environment

Currently Kazakhstan has a number of laws on various taxes imposed both by national and regional authorities. Law relating to these taxes have not been in force for a significant amount of time, compared to more developed market economies; therefore, implementing regulations are often unclear or non-existent. Accordingly, few precedents with regard to issues have been established, and differing opinions regarding legal interpretation exist. The tax authorities are enabled by law to impose severe fines, penalties and interest charges for late submission of tax returns and/or payment of taxes. These facts create tax risks in the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Legal issues

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

Environmental matters

The Company's management believes that it is currently in compliance with all environmental laws and regulations existing in the Republic of Kazakhstan, and therefore no provision for potential losses has been made in these separate financial statements.

Insurance

The Company does not insure its production assets, nor does it have third party and employee liability insurance. Since the lack of insurance does not decrease the value of assets or increase liabilities, no provision for possible damages or losses of these assets has been made in these separate financial statements as at 31 December 2012.

Market limitation

One of the Company's principal operating activities is development, production and sale of military equipment. The Company's activity is strategic for the Republic of Kazakhstan and shall be licensed and approved by the Government of the Republic of Kazakhstan. This fact limits the target market for the products manufactured by the Company.

30. FINANCIAL INSTRUMENTS, OBJECTIVES AND FINANCIAL RISK MANAGEMENT

The main financial instruments of the Company include loans, cash, short-term deposits and trade and other receivables and payables. The main risks on financial instruments of the Company are interest rate risk, currency risk and credit risk. The Company also monitors market risk and liquidity risk arising on all the financial instruments.

Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's capital structure includes share capital, additional paid-in capital and accumulated deficit.

Summary of significant accounting policies

The significant accounting policies and adopted methods, including criteria of recognition, evaluation basis and the basis on which income and expenses are recognized with respect to each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2 to the separate financial statements.

Objectives of financial risk management

Risk management is an essential element of the Company's operations. The Company monitors and manages financial risks relating to the Company's operations through internal reports on risks which analyse the exposure to risk by the degree and size of risks. These risks include the market risk (including currency risk, fair value interest risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Company's risk management policies in relation to those risks is presented below.

Interest rate risk

Interest rate risk is the risk of changes in market interest rates that can result in the decrease in total investment return and increase in cash outflow on the Company's loans. Management considers this risk immaterial as the Company does not received loans from third parties.

Currency risk

The Company has transactions in foreign currencies; hence, there is a risk of exposure to changes in exchange rates.

The carrying value of foreign currency denominated financial liabilities of the Company as at the reporting date is as follows

	Liabilities	
	31 December 2012	**31 December 2011**
US dollar	602,034	-

Sensitivity analysis to currency risk

The Company is exposed to changes in exchange rates of US dollar. The weakening of the tenge against US dollar by 1% would have an impact on the profit and accumulated deficit by (6,020) thousand tenge.

Credit risk

Credit risk arising as a result of counterparties' failure to meet the terms of contracts with financial instruments of the Company is normally limited to the amounts, if any, by which the amount of liabilities of the counterparties exceed the Company's liabilities before these counterparties. The Company's policy provides for conducting operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk equals the carrying amount of each financial instrument. The Company believes that its maximum exposure equals to the amount of trade and other receivables (Note 11), loans given (Note 12) less allowances for doubtful debts recorded at the reporting date.

The concentration of the credit risk can arise in case of several debts from one borrower or group of borrowers with similar borrowing terms for which there is a basis to expect that changes in economic terms or other circumstances can equally affect their capacity to meet their obligations.

The Company's policy provides for constant control over adequate credit history of customers with whom transactions are concluded and that the transactions do not exceed the set crediting limits.

The Company does not act as a guarantor on liabilities of third parties.

Market risk

The market risk is the risk of possible fluctuations in the value of the financial instrument as a result of changes in market prices. The Company manages the market risk by periodic evaluation of potential losses which may arise from negative changes in the market condition.

Liquidity risk

The Company controls the risk related to liquidity management and short-, middle-, and long-term financing according to the Shareholder's requirements. The Company manages liquidity risks by maintaining sufficient reserves, available credit lines by means of constant monitoring of budgeted and actual cash flow and comparing of maturity dates of its financial assets and liabilities.

The following tables detail the Company's contractual maturities on its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Interest rate	**1 month – 1 year**	**1-5 years**	**More than 5 years**	**Total**
2012					
Non-interest bearing:					
Trade and other payables	-	2,928,766	-	-	2,928,766
Other current liabilities		139,386	-	-	139,386
Non-bank borrowings	3%	5,098,333	-	-	5,098,333
Bonds issued	5%	226,700	4,987,400	-	5,214,100

	Interest rate	**1 month – 1 year**	**1-5 years**	**More than 5 years**	**Total**
2011					
Non-interest bearing:					
Trade and other payables	-	80,627	-	-	80,627
Other current liabilities	-	50,102	66,000	-	116,102
Non-bank borrowings	-	150,045	-	-	150,045

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except for the cash flows are expected in other periods.

2012	Interest rate	1 month – 1 year	1-5 years	More than 5 years	Undefined	Total
Guarantees as security of execution of contracts	-	283,895	-	-	-	283,895
Loans given	-	7,624,576	-	-	1,831,360	9,455,936
Cash	-	7,258,227	-	-	-	7,258,227
Trade and other receivables	-	277,379	-	-	459,795	737,174
2011						
Guarantees as security of execution of contracts		212,982	-	-	-	212,982
Loans given	-	533,343	-	-	267,545	800,888
Finance lease receivable		191,537	-	-	230,485	422,022
Cash	-	2,797,691	-	-	-	2,797,691
Trade and other receivables	-	419,629	-	-	176,926	596,555

Fair value of financial instruments

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

The following methods and assumptions are applied by the Company to calculation of fair values of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates their fair value due to a short-term nature of these separate financial instruments.

Trade and other receivables and payables

For assets and liabilities with maturity within twelve months, the carrying amount approximates their fair value due to a short-term nature of these financial instruments.

31. RELATED PARTY TRANSACTIONS

Related parties include associates, joint ventures and subsidiaries of the Company and the sole shareholder of the Company, as well as affiliates and subsidiaries of the Company's sole shareholder including state companies focused on generation of commercial profits.

Transactions with related parties carried out by the Company for the years ended 31 December 2012 and 2011, were generally conducted in the course of it normal activity on an arm's length basis.

Receivables from related parties including interest-free financial aid and finance lease receivables less allowance for doubtful debts as at 31 December 2012 and 2011 are presented as follows:

	2012	2011
JSC 832 Motor-repair Plant KE	6,201	191,537
The united center of armament controlling systems introduction LLP	15,461	56,764
JSC Plant after Kirov	892,448	-
JSC Machinery plant after Kirov	1,797,885	739,560
JSC Semipalatinsk machinery construction plant	288,988	297,632
JSC ZIKSTO	71,592	59,703
JSC Instrument making plant Omega	30,144	52,789
Kazakhstan ASELSAN engineering LLP	2,169,150	-
JSC Petropavlovsk heavy machinery construction plant	277,754	-
JSC Semei engineering	2,894,321	-
JSC Tynys	1,399,650	-
Other subsidiaries	102,739	144,799
Less allowance for doubtful debts	(2,290,726)	(444,042)
	7,655,607	1,098,742

As at 31 December 2012 and 2011, receivables from JSC 832 Motor-repair Plant KE included receivables under finance lease amounting to nil and 191,537 thousand tenge, respectively.

As at 31 December 2012 and 2011, the Company had cash on bank accounts of JSC BTA Bank in the amount of 5,613,510 thousand tenge and 2,742,982 thousand tenge, respectively, as well as on the bank accounts of JSC Temirbank in the amount of 10 thousand tenge and nil, respectively.

Payables to related parties including loans and dividends payable as at 31 December 2012 and 2011 are presented as follows:

	2012	2011
JSC SWF Samruk-Kazyna	4,976,317	243,827
Eurocopter Kazakhstan engineering LLP	2,180,952	43,465
ASELSAN Elektronik Sanayi ve Ticaret A.S.	498,725	-
JSC Tynys	61,470	-
Other	37,147	32,518
	7,754,611	319,810

For the years ended 31 December 2012 and 2011, the Company received revenue from the sale of goods and provision of services to ministries and agencies in the amount of 18,216,814 thousand tenge and 12,857,596 thousand tenge, respectively (Note 22).

For the years ended 31 December 2012 and 2011, the Company received revenue from the provision of management services to subsidiaries in the amount of 449,992 thousand tenge and 219,292 thousand tenge, respectively (Note 22).

For the years ended 31 December 2012 and 2011, the Company received interest income from JSC BTA Bank in the amount of 196,269 thousand tenge and 10,044 thousand tenge, respectively.

Expenditures related to services received and goods purchased from related parties for the years ended 31 December 2012 and 2011 are presented as follows:

	2012	2011
ASELSAN Elektronik Sanayi ve Ticaret A.S.	997,450	-
Eurocopter Kazakhstan engineering LLP	13,478,486	10,583,740
JSC Semei engineering	586,728	1,537,091
JSC 832 Motor-repair Plant KE	166,811	-
Branch of JSC NC Kazakhstan temir zholy – Transportation department	110,481	-
JSC KazEng Electronics	73,437	-
ChU Corporate university Samruk-Kazyna	39,034	-
Other	23,409	-
	15,475,836	12,120,831

For the years ended 31 December 2012 and 2011, compensation to the key management personnel amounted to 179,418 thousand tenge and 134,735 thousand tenge, respectively.

32. EVENT SUBSEQUENT TO REPORTING DATE

In 2013, the Company provided interest-free financial aid to subsidiaries and joint ventures in the amount of 4,313,631 thousand tenge for the development of these enterprises.

On 14 February 2013, the Company additionally placed bonds in the amount of 3,617,299 thousand tenge with coupon rate of 5%.

On 15 February 2013, the Company received a loan from the Sole shareholder for working capital replenishment in the amount of 4,700,000 thousand tenge with a maturity till 31 December 2013 with an interest rate of 4%.

On 13 March 2013, the Company additionally placed bonds in the amount of 969,239 thousand tenge with coupon rate of 5%.