JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

Separate financial statements
for the year ended 31 December 2011

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 2011, 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 financial position and 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 2011 were approved and authorised for issue by management of the Company on 30 July 2012.

On behalf of the management of the Company:

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director of Corporate Finance and Accounting Department

30 July 2012
Astana

Deloitte, LLP
"AFD", Building "B"
36/2, Al Farabi ave.
Almaty, 050000
Republic of Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the 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 2011, the separate statement of comprehensive income, the separate statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for 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 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Other matters

The separate financial statements of the Company for the year ended 31 December 2010 were audited by another auditor who expressed a qualified opinion on these separate financial statements dated 29 July 2011. As part of our audit of the separate financial statements for the year ended 31 December 2011, we the audited adjustments and reclassification described in Note 4, which were applied to amend the separate financial statements for the year ended 31 December 2010. In our opinion, such adjustments and reclassifications are appropriate and have been properly applied. We were not engaged to audit, review, or apply any other procedures to the Company's separate financial statements for the year ended 31 December 2010 other than with respect to the adjustments and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the separate financial statements for the year ended 31 December 2010, taken as a whole.

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

30 July 2012
Almaty

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE FINANCIAL STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(in thousands of tenge)

	Notes	31 December 2011	31 December 2010 (restated*)	1 January 2010 (restated*)
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	5	292,949	360,618	359,235
Intangible assets		54,105	59,932	69,873
Investment properties	6	54,753	-	-
Investments in subsidiaries	7	1,662,036	1,576,931	1,414,831
Investments in associates	8	301,585	209,608	209,608
Investments in joint ventures	9	1,282,986	87,336	75
Deferred tax assets	27	58,051	62,843	15,644
Other non-current assets		4,417	15,767	4,417
		3,710,882	2,373,035	2,073,683
CURENT ASSETS:				
Inventories	10	232,941	229,950	283,261
Trade and other receivables	11	419,629	443,178	413,925
Income tax prepaid		3,521	3,521	3,521
Other taxes receivable		7,033	10,097	13,187
Finance lease receivables		191,537	319,187	445,997
Loans issued	12	493,395	297,700	342,029
Other current assets	13	357,967	91,400	8,590
Cash and cash equivalents	14	2,798,077	4,354,325	82,436
		4,504,100	5,749,358	1,592,946
TOTAL ASSETS		8,214,982	8,122,393	3,666,629
EQUITY AND LIABILITIES				
EQUITY:				
Charter capital	15	12,101,802	12,101,802	7,381,594
Additional paid-in capital	16	94,223	94,223	94,223
Accumulated deficit		(4,500,518)	(4,419,730)	(4,319,326)
		7,695,507	7,776,295	3,156,491
NON-CURRENT LIABILITIES:				
Non-bank borrowings	17	-	108,947	168,606
Other non-current liabilities	20	66,000	-	-
		66,000	108,947	168,606

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE FINANCIAL STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2011
(in thousands of tenge)

	Notes	31 December 2011	31 December 2010 (restated*)	1 January 2010 (restated*)
CURRENT LIABILITIES:				
Current portion of non-bank borrowings	17	127,827	88,878	-
Trade and other payables	18	80,627	133,418	23,801
Other taxes payable	19	101,306	11,668	15,148
Other current liabilities	20	143,715	3,187	302,583
		453,475	237,151	341,532
TOTAL EQUITY AND LIABILITIES		8,214,982	8,122,393	3,666,629

***Restated as described in Note 4**

On behalf of the management of the Company:

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

Zhetenova A.K.
Managing Director

Mukushev B.A.
Director of Corporate Finance and Accounting Department

30 July 2012
Astana

The notes on pages 10-42 form an integral part of these separate financial statements. The Independent Auditors' Report is on pages 2-3.

SEPARATE FINANCIAL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of tenge)

	Notes	2011	2010 (restated*)
REVENUE	21	13,076,888	1,663,464
COST OF SALES	22	(12,120,831)	(1,558,407)
GROSS PROFIT		956,057	105,057
General and administrative expenses	23	(756,030)	(467,684)
Provision costs	24	(600,637)	(53,303)
Other income		13,206	72,560
Net foreign exchange gain		1,628	4
Dividend income		332,702	216,145
Financial income	25	157,216	14,481
Finance costs	26	(30,002)	(29,219)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSES		74,140	(141,959)
INCOME TAX (EXPENSES)/BENEFIT	27	(38,928)	47,199
NET PROFIT/(LOSS) AND COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		35,212	(94,760)

***Restated as described in Note 4**

On behalf of the management of the Company:

Zhetenova A.K.
Managing Director

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

Mukushev B.A.
Director of Corporate Finance and Accounting Department

30 July 2012
Astana

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JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE FINANCIAL STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of tenge)

	Notes	Charter capital	Additional paid-in capital	Accumulated deficit	Total
At 1 January 2010 (as per the previously issued financial statements)		7,381,594	-	(4,068,891)	3,312,703
Restatement	4	-	94,223	(250,435)	(156,212)
At 1 January 2010 (restated)		7,381,594	94,223	(4,319,326)	3,156,491
Total loss and total comprehensive loss for the year		-	-	(94,760)	(94,760)
Other	4			(5,644)	(5,644)
Paid-in capital		4,720,208	-	-	4,720,208
At 31 December 2010 (restated)		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

***Restated as described in Note 4**

On behalf of the management of the Company:

Республика Казахстан город Астана
Қазақстан Республикасы Астана қаласы
«Национальная компания «Казакстан инжиниринг» (Kazakhstan Engineering) Ұлттық компаниясы
Акционерное общество
Акционерлік қоғамы

Zhetenova A. K.
Managing Director

Mukushev B. A.
Director of Corporate Finance and Accounting Department

30 July 2012
Astana

The notes on pages 10-42 form an integral part of these separate financial statements. The Independent Auditors' Report is on pages 2-3.

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING

SEPARATE FINANCIAL STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of tenge)

	Notes	2011	2010 (restated*)
OPERATING ACTIVITIES:			
Profit/(loss) before income tax expenses and minority interest		74,140	(141,959)
Adjustments for:			
Depreciation and amortisation	23	42,530	38,178
Provision for doubtful debts	24	457,915	53,303
Amortisation of the fair value adjustment of the financial aid received	26	30,002	29,219
Amortisation of the fair value adjustment of the financial aid given	25	(83,155)	(5,297)
Provision for impairment of investments	24	49,109	-
Provision for employee benefits	24	69,000	-
Income from disposal of property, plant and equipment		(3,637)	-
Provision for unused vacation	24	24,613	-
Cash flow from operating activities before movements in working capital		660,517	(26,556)
Movements in working capital:			
Movement in trade and other receivables		(498,621)	(339,812)
Movement in advances paid		(53,585)	(82,810)
Movement in other taxes receivable		3,064	3,090
Movement in other assets		(212,982)	-
Movement in inventories		(2,991)	53,311
Movement in trade and other payables		(52,791)	109,617
Movement in other taxes payable		89,638	(3,480)
Movement in other liabilities		(3,085)	(79,188)
Cash used in operating activities		(70,836)	(365,828)
Income tax paid		(10,993)	-
Net cash used in operating activities		(81,829)	(365,828)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	5	(25,873)	(29,621)
Acquisition of intangible assets		(2,706)	-
Interest-free financial aid given to related parties	12	(2,268,000)	(25,600)
Proceeds from repayments of interest-free financial aid given to related parties	12	1,772,200	75,226
Acquisition of investments to subsidiaries		-	(105,141)
Acquisition of investments to associates		(16,470)	-
Acquisition of investments to joint ventures		(1,185,000)	(75)
Proceeds from disposal of investments to associates		89	-
Dividends received		351,341	222,928
Net cash (used in)/generated by investing activities		(1,374,419)	137,717

SEPARATE FINANCIAL STATEMENT OF CASH FLOW (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of tenge)

	Notes	2011	2010 (restated*)
FINACNING ACTIVITIES:			
Issue of shares	15	-	4,500,000
Repayment of interest-free financial aid from the parent company		(100,000)	-
Net cash (used in)/generated by investing activities		(100,000)	4,500,000
MOVEMENT IN CASH AND CASH EQUIVALENTS, net		(1,556,248)	4,271,889
CASH AND CASH EQUIVALENTS, beginning of the year	14	4,354,325	82,436
CASH AND CASH EQUIVALENTS, end of the year	14	2,798,077	4,354,325

Significant non-cash transactions:

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

***Restated as described in Note 4**

On behalf of the management of the Company:

Zhetenova A.K.
Managing Director

Mukushev B.A.
Director of Corporate Finance and Accounting Department

30 July 2012
Astana

The notes on pages 10-42 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 2011, the Company's sole shareholder is JSC Sovereign Wealth Fund Samruk-Kazyna. From 20 July 2009 to 15 June 2010, the Company's shares were under trust management of the Ministry of Industry and Trade of the Republic of Kazakhstan. On 15 June 2011, the Company's shares were transferred under trust management of the Ministry of Defence of the Republic of Kazakhstan.

The Company's main operating activities are:

- participation in the implementation of the state policy for the development, production, sale and liquidation of defence goods and equipment of dual and civil purposes;
- participation in the elaboration and implementation of short-term and long-term interindustry development programmes and the production of goods and equipment for defence and dual purposes, to satisfy domestic and export needs;
- production and import of weapon, military equipment and dual purpose products for the armed forces and other military formations of the Republic of Kazakhstan as well as their export;
- elaboration and implementation of conversion programmes and programmes for development of military and industrial complex;
- participation in execution of state defence orders; development and implementation of plans to form and store mobilization reserves;
- production of oil and gas, railway, aircraft, agricultural, shipbuilding equipment, production of civilian goods.

Legal name:	Joint Stock Company National Company Kazakhstan
Legal address:	36 Auezov Street, Astana Republic of Kazakhstan
Legal registration number:	13659 – 1901 – AO
Legal status:	Joint Stock Company

As at 31 December 2011, the Company employed 64 persons (31 December 2010: 62 persons).

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. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Kazakhstan and the Kazakhstan's economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Republic of Kazakhstan. The future economic direction of the Republic of Kazakhstan is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial system continues to suffer serious problems. Growth rates of many economies decreased. There is also an increased uncertainty about creditworthiness of some Eurozone countries and financial institutions having significant risks related to sovereign debts of such countries. These problems can lead to slackening in the rate of economic growth or recession of economy of the Republic of Kazakhstan, adversely affect the Company's access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

Because Kazakhstan produces and exports large volumes of oil and gas, country's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2011 and 2010.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The separate financial statements of the Company have been prepared according to International Financial Reporting Standards ("IFRS"). The separate financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These separate financial statements are the financial statements of the parent company of JSC National Company Kazakhstan Engineering. Subsidiaries were not consolidated to these separate financial statements. Investments to subsidiaries and associates were measured at cost. These separate financial statements shall be read in conjunction with the consolidated financial statements authorized for issue by the Company management on 30 July 2012.

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.

Going concern

These financial statements have been prepared based on a going concern basis, and there is no evidence that the Company has the intention or the need to eliminate or significantly reduce its activities in the near future. It suggests that the Company will continue to be able to pay its liabilities as they fall due in the ordinary course of business.

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.

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 1 *Presentation of Financial Statements*
- IAS 24 *Related Party Disclosure* – revision
- IFRIC 14 *Prepayments of a Minimum Funding Requirements*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IAS 32 *Financial Instruments: Presentation* – classification of rights issues (revision)
- IFRS 3 *Business Combinations*

In addition, the Company adopted the amendments to various other Standards within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. 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 some of which are substantive, but have had no material effect on amounts reported.

The adoption of the above Standards had no impact on the results of operations or financial position.

Standards and Interpretations in issue to be adopted in future periods

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

	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial instruments - Disclosure* – Transfer of Financial Assets	1 July 2011
IFRS 9 *Financial Instruments*	1 January 2015
IFRS 10 *Consolidated Financial Statements*	1 January 2013
IFRS 11 *Joint Arrangements*	1 January 2013
IFRS 12 *Disclosure of Interest in Other Entities*	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013
Amendments to IAS 1 *Disclosure of items of other comprehensive income*	1 January 2013
Amendments to IAS 12 *Deferred Taxes* – recovery of basic assets	1 January 2012
IAS 19 (revised in 2011) *Employee Benefits*	1 January 2013
IAS 27 (revised in 2011) *Separate Financial Statements*	1 January 2013
IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures*	1 January 2013

In May 2011, IASB introduced a 'package' of five new international financial reporting standards (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) relating to consolidation of financial statements, joint arrangements, investments in associates and joint ventures and disclosure of information. Five abovementioned standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted subject to application of all five standards.

Management of the Company believes that five above standards will be applied in the Company's separate financial statements of the Company for the year beginning on 1 January 2013. Adoption of all of the above standards will not have a material impact on the separate financial statements.

The Company's management anticipates that all other abovementioned 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 accumulated impairment losses. 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 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 of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual 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 life
Buildings and constructions	8 - 100 years
Machinery and equipment	3 - 20 years
Vehicles	5 - 10 years
Other assets	4 - 20 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Though in the absence of reasonable assurance that the title will be transferred to the lessee at the end of the lease term, the asset shall be fully amortized over the shorter of two terms: the lease term and the useful life.

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 sale or other disposal 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 accumulated impairment losses. Amortisation is recognized on a straight-line basis over their estimated useful lives at the rate 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 properties

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 amortisation and accumulated impairment losses. Amortisation on investment properties is calculated based on straightforward 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 from the disposal. 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 in which 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. A reversal of an impairment loss is recognised immediately in profit or loss except for certain cases.

Inventories

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 and cash equivalents

Cash and cash equivalents comprise cash in bank, cash in transit, cash on hand and short-term deposits with an original maturity of three months or less.

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. Doubtful debts are written off when identified against the allowances previously accrued.

Loans and other receivables

Loans and 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 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.

Dividend and interest income

Dividend 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).

Interest 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.

Leasing

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 119,992 thousand tenge per month (2010: no more than 112,140 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 for future expenses

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.

Transactions with related parties

The following companies are deemed related parties in preparation of these financial statements:

A company is a related party if:

(a) directly, or indirectly through one or more intermediaries, the party:
   i) controls, is controlled by, or is under common control with, the Company (this includes holding companies, subsidiaries and fellow subsidiaries);
   ii) has an interest in the Company that gives it significant influence over the Company; or
   iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is a member of the key management personnel of the Company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is a company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

As described in Note 2, 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.

Guarantee liabilities

Provision for guaranties 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.

Valuation 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 2011. Differences between estimates and actual amounts, if any, can have a significant effect on the Company's profit in the future periods.

4. RESTATEMENTS AND RECLASSIFICATIONS

Restatements

In the process of preparation of the separate financial statements of the Company for the year ended 31 December 2011, the Company management restated certain comparative information for prior years to adjust errors of prior period in accordance with IAS 8 Accounting Policy, Changes in Accounting Estimates and Errors.

During 2007-2010, the Company provided interest-free financial aid to its subsidiaries. The Company carried this financial aid at the nominal value which was not in compliance with IAS 39 *Financial Instruments: Recognition and Measurement*. In 2011, the Company recalculated this financial aid and measured it at amortized cost, and recognized fair value adjustment of this aid in investments in subsidiaries as at 31 December 2010 and 1 January 2010. Accordingly, for the year ended 31 December 2010, the Company recognized finance costs of the amount of unwinding of a discount.

During 2008, the Company received interest-free loans from the shareholder and carried these loans at the nominal value which was not in compliance with IAS 39 *Financial Instruments: Recognition and Measurement*. In 2011, the Company recalculated these loans and measured them at amortized cost, and recognized fair value adjustment of the loans as additional paid-in capital in the statements of equity as at 1 January and 31 December 2010. Accordingly, for the year ended 31 December 2010, the Company recognized financial income of the amount of unwinding of a discount.

Accordingly, the Company also recalculated deferred tax taking into account the above adjustments as at 1 January and 31 December 2010 and income tax expenses for the year ended 31 December 2010.

Effect of restatements of comparative information was presented as follows:

Statement of financial position as at 31 December 2010	Amounts (before adjustments and after reclassifications)	Adjustments	Amounts (after adjustments)
NON-CURRENT ASSETS:			
Investments in associates	440,882	(231,274)	209,608
Investments in subsidiaries	1,556,871	20,060	1,576,931
Deferred tax assets	40,575	22,268	62,843
CURRENT ASSETS:			
Loans issued	305,088	(7,388)	297,700
EQUITY:			
Additional paid-in capital	-	94,223	94,223
Accumulated deficit	(4,181,393)	(238,337)	(4,419,730)
NON-CURRENT LIABILITIES:			
Non-bank borrowings	150,045	(41,098)	108,947
CURRENT LIABILITIES:			
Current portion of non-bank borrowings	100,000	(11,122)	88,878

Statement of comprehensive income for the year ended 31 December 2010	Amounts (before adjustments)	Adjustments	Amounts (after adjustments)
Financial income	9,183	5,298	14,481
Finance costs	-	(29,219)	(29,219)
Loss before income tax expenses	(118,038)	(23,921)	(141,959)
Income tax benefit	11,180	36,019	47,199
Net loss and comprehensive loss for the year	(106,858)	12,098	(94,760)

Statement of financial position as at 1 January 2010	Amounts (before adjustments and after reclassifications)	Adjustments	Amounts (after adjustments)
NON-CURRENT ASSETS:			
Investments in associates	1,394,771	20,060	1,414,831
Investments in subsidiaries	440,882	(231,274)	209,608
Deferred tax assets	29,395	(13,751)	15,644
CURRENT ASSETS:			
Loans issued	354,715	(12,686)	342,029
EQUITY:			
Additional paid-in capital	-	94,223	94,223
Accumulated deficit	(4,068,891)	(250,435)	(4,319,326)
NON-CURRENT LIABILITIES:			
Non-bank borrowings	250,045	(81,439)	168,606

Reclassifications

In the process of preparation of the separate financial statements of the Company for the year ended 31 December 2011, the Company management reclassified certain comparative information for the previous year to bring it into compliance with the classification in the separate financial statements for the current year.

Effect of reclassifications was presented as follows:

Statement of financial position as at 31 December 2010	**Amounts (before reclassifications)**	**Reclassification**	**Amounts (after reclassifications)**
NON-CURRENT ASSETS:			
Investments accounted for by equity method (investment in joint ventures)	2,089,506	(532,635)	1,556,871
Investments in subsidiaries	-	440,882	440,882
Investments in associates	-	87,336	87,336
Other non-current assets	12,829	2,938	15,767
CURRENT ASSETS:			
Trade and other receivables	126	443,052	443,178
Loans issued	-	305,088	305,088
Finance lease receivables	-	319,187	319,187
Other taxes recoverable	10,071	26	10,097
Other current assets	1,157,249	(1,065,849)	91,400
NON-CURRENT LIABILITIES:			
Non-bank borrowings	-	150,045	150,045
CURRENT LIABILITIES:			
Current portion of non-bank borrowings	-	100,000	100,000
Trade and other payables	80,247	53,171	133,418
Other taxes payable	7,207	4,461	11,668
Other current liabilities	310,839	(307,652)	3,187

Statement of comprehensive income for the year ended 31 December 2010	**Amounts (before reclassifications)**	**Reclassification**	**Amounts (after reclassifications)**
General and administrative expenses	467,616	68	467,684
Provision costs	-	53,303	53,303
Other income	19,193	53,367	72,560
Foreign exchange gain	-	4	4

Statement of financial position as at 1 January 2010	**Amounts (before reclassifications)**	**Reclassification**	**Amounts (after reclassifications)**
NON-CURRENT ASSETS:			
Investments accounted for by equity method (investment in joint ventures)	1,840,145	(445,374)	1,394,771
Investments in subsidiaries	-	440,882	440,882
Investments in associates	-	75	75
Other non-current assets	284,877	(280,460)	4,417
CURRENT ASSETS:			
Trade and other receivables			
Loans issued	2,506	411,419	413,925
Finance lease receivables	-	354,715	354,715
Trade and other receivables	-	445,997	445,997
Other current assets	935,844	(927,254)	8,590
NON-CURRENT LIABILITIES:			
Non-bank borrowings	-	250,045	250,045
CURRENT LIABILITIES:			
Other current liabilities	552,628	(250,045)	302,583

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and construction	Machinery, equipment and vehicles	Other assets	Construction in progress	Total
Cost:						
At 1 January 2010	1,742	320,863	117,772	31,594	8,033	480,004
Additions	-	18,864	5,240	5,517	-	29,621
At 31 December 2010	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
Accumulated depreciation and impairment:						
At 1 January 2010	-	(81,608)	(23,229)	(15,932)	-	(120,769)
Charge for the year	-	(21,209)	(4,922)	(2,107)	-	(28,238)
At 31 December 2010	-	(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)
Net book value:						
At 31 December 2011	1,742	174,858	77,759	30,557	8,033	292,949
At 31 December 2010	1,742	236,910	94,861	19,072	8,033	360,618
At 1 January 2010	1,742	239,255	94,543	15,662	8,033	359,235

Cost of fully depreciated property, plant and equipment as at 31 December 2011 and 2010 was 3,069 thousand tenge and 4,295 thousand tenge, respectively.

As at 31 December 2011 and 2010, the Company has property, plant and equipment with the carrying value of 237,168 thousand tenge and 250,816 thousand tenge, respectively, which were removed from active service and put into prolonged storage. 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 core operations.

6. INVESTMENT PROPERTY

	Buildings and constructions	Total
Historical cost:		
At 31 December 2010	-	-
Transfer from property, plant and equipment (Note 5)	119,463	119,463
At 31 December 2011	119,463	119,463
Accumulated amortization and impairment:		
At 31 December 2010	-	-
Transfer from property, plant and equipment (Note 5)	(55,949)	(55,949)
Charge for the year	(8,761)	(8,761)
At 31 December 2011	(64,710)	(64,710)
Carrying value:		
At 31 December 2011	54,753	54,753

7. INVESTMENTS IN SUBSIDIARIES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
JSC 811 Motor-repair Plant KE	60,530	58,402	58,402
JSC 832 Motor-repair Plant KE	156,543	151,095	94,136
JSC Plant after Kirov	192,109	192,109	192,109
Kazakhstan engineering Distribution LLP	16,681	13,700	13,700
JSC Machinery plant after Kirov	79,484	49,479	49,479
JSV Munaimash	51,677	51,677	51,677
JSC Research Institute Hydropribor	64,322	63,896	63,896
JSC Instrument making plant Omega	146,385	144,700	144,700
JSC Petropavlovsk heavy machinery construction plant	493,513	469,839	469,839
JSC Semei engineering	290,579	274,650	274,650
JSC Semipalatinsk machinery construction plant	214,710	214,710	214,710
Kuzet LLP	5,245	5,245	5,245
JSC Tynys	219,647	219,647	219,647
JSC Uralsk plant Zenith	43,864	43,864	43,864
JSC KazEng Electronics	306,765	305,275	305,275
The united center of armament controlling systems introduction LLP	111,725	105,141	-
	2,453,779	2,363,429	2,201,329
Less: provision for impairment	(791,743)	(786,498)	(786,498)
	1,662,036	1,576,931	1,414,831

During 2011, the Company issued interest-free financial aid to subsidiaries and recognized fair value adjustment of 102,403 thousand tenge net of deferred tax of 20,482 thousand tenge in investments.

During 2011, the Company replenished the charter capital of JSC 832 Motor-repair Plant KE and Kazakhstan engineering Distribution LLP with non-monetary assets of 8,429 thousand tenge.

During 2010, the Company replenished the charter capital of JSC 832 Motor-repair Plant KE and The united center of armament controlling systems introduction LLP with monetary and non-monetary assets of 162,100 thousand tenge.

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 2011	31 December 2010	1 January 2010
JSC 811 Motor-repair Plant KE	Repair of automotive vehicles, armour, power packs and power plants; modernization of equipment	Republic of Kazakhstan	100%	100%	100%
JSC 832 Motor-repair Plant KE	Repair of automotive vehicles	Republic of Kazakhstan	100%	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%	84%
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	Republic of Kazakhstan	100%	100%	100%
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%	98%
JSC Munaimash	Oil well pumps for oil and gas sector, consumer goods	Republic of Kazakhstan	52%	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%	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%	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%	100%
JSC Semei engineering	Repair of armament of armoured force vehicles and military equipment; engines, transportation vehicles	Republic of Kazakhstan	100%	100%	100%
JSC Semipalatinsk machinery construction plant	Crawler tractors, hatch covers for freight cars, repair of engineering equipment	Republic of Kazakhstan	99%	99%	99%
Kuzet LLP	Security services	Republic of Kazakhstan	100%	100%	100%
JSC Tynys	Medical equipment, induced gas fittings, aircraft devices, polyethylene pipes, fire-extinguishing means	Republic of Kazakhstan	99%	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%	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%	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%	100%

These separate financial statements do not include the financial statements of subsidiaries. Investments in subsidiaries are carried at cost less impairment in these separate financial statements.

8. INVESTMENTS IN ASSOCIATES

Associate	Principal activity	31 December 2011 Cost	31 December 2011 Ownership interest, %	31 December 2010 (restated) Cost	31 December 2010 (restated) Ownership interest, %	1 January 2010 (restated) Cost	1 January 2010 (restated) Ownership interest, %
JSC ZIKSTO	Repair of freight rail cars, repair of wheel sets with replacement of elements	20,455	42%	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%	42,864	49%
KAMAZ-Semei LLP	Commercial activity	1,000	49%	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%	195,530	24%	195,530	24%
Indra Kazakhstan Engineering LLP	Manufacture of radar systems, systems of electronic warfare and intelligence	124,460	49%	-	-	-	-
Aviasnab Company LLP	Commercial activity	-	-	40	49%	40	49%
Soyuzinvestauto-Kazakhstan LLP	Commercial activity	-	-	49	49%	49	49%
		395,779		259,938		259,938	
Less provision for impairment		(94,194)		(50,330)		(50,330)	
		301,585		209,608		209,608	

According to the foundations agreement dated 3 June 2011, the Company (49%) and Indra Sistemas CA (51%) established Indra Kazakhstan Engineering LLP.

During 2011, the Company purchased 1% of shares in JSC KAMAZ-Engineering for 11,470 thousand tenge.

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

9. INVESTMENTS IN JOINT VENTURES

Joint venture	Principal activity	31 December 2011	31 December 2010	1 January 2010
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	75
Kazakhstan ASELSAN engineering LLP	Manufacture of electronic and optical devices	45,436	-	-
Eurocopter Kazakhstan engineering LLP	Manufacture and technical maintenance of helicopters	1,150,214	-	-
		1,282,986	87,336	75

According to the foundations agreement dated 18 April 2011, the Company jointly with ASELSAN Electronic Sanayi ve Ticaret A. S. (49%) and T.C. Ministry of National Defense, Undersecretariat for Defense Industries of Turkey (1%) established a joint venture, Kazakhstan ASELSAN Engineering LLP.

According to the foundations agreement dated 16 February 2011, the Company jointly with Eurocopter (50%) established Eurocopter Kazakhstan engineering LLP.

During 2011, the Company issued interest-free financial aid to joint ventures and recognized fair value adjustment of 13,311 thousand tenge net of deferred tax of 2,661 thousand tenge in investments.

Investments in joint ventures are carried at cost less impairment in these separate financial statements.

10. INVENTORIES

	31 December 2011	31 December 2010	1 January 2010
Goods	225,123	225,123	279,919
Raw materials and consumables	7,818	4,827	3,342
	232,941	229,950	283,261

11. TRADE AND OTHER RECEIVABLES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Trade receivables from subsidiaries	529,214	371,647	410,412
Trade receivables from related parties	61,093	68,692	-
Other receivables	6,248	3,659	4,333
	596,555	443,998	414,745
Provision for doubtful debts	(176,926)	(820)	(820)
	419,629	443,178	413,925

Movement in the provision for the years ended 31 December 2011 and 2010 was presented as follows:

	2011	2010 (restated)
At the beginning of the year	(820)	(820)
Charge for the year	(176,982)	-
Written off against previously created provision	876	-
At the end of the year	(176,926)	(820)

As at 31 December 2011 and 2010, trade and other receivables less provision for doubtful debts are denominated in tenge.

12. LOANS ISSUED

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Short-term loans			
JSC 832 Motor-repair Plant KE	-	13,200	30,550
The united center of armament controlling systems introduction LLP	63,000	-	-
Kazakhstan ASELSAN Engineering LLP	50,000	-	-
JSC Machinery plant after Kirov	401,400	5,400	10,000
JSC Instrument making plant Omega	18,943	18,943	34,120
JSC Semipalatinsk machinery construction plant	267,545	267,545	269,545
JSC Research Institute Hydropribor	-	-	8,500
JSC Semei engineering	-	-	2,000
	800,888	305,088	354,715
Less: fair value adjustments	(39,948)	(7,388)	(12,686)
	760,940	297,700	342,029
Provision for doubtful debts	(267,545)	-	-
	493,395	297,700	342,029

Movement in the provision for the years ended 31 December 2011 and 2010 was presented as follows:

	2011	2010
At the beginning of the year	-	-
Charge for the year	(267,545)	-
At the end of the year	(267,545)	-

During 2011, the Company issued interest-free financial aid to its subsidiaries and joint ventures of 2,268,000 thousand tenge (2010: 25,600 thousand tenge, 2009: 34,500 thousand tenge). As at 31 December 2011, interest-free financial aid of 1,772,200 thousand tenge (31 December 2010: 75,226 thousand tenge, 1 January 2010: 20,300 thousand tenge) was repaid. The Company calculated fair value of this financial aid and recognized fair value adjustment of 140,790 thousand tenge (2010: 25,075 thousand tenge) net of deferred tax of 28,158 thousand tenge (2010: 5,015 thousand tenge) in investments in subsidiaries (Note 7) and investments in joint ventures (Note 9). To determine fair value of the financial aid, the Company applied effective interest rate of 12%-16%. For the years ended 31 December 2011 and 2010, income from amortization of the fair value adjustment of 83,155 thousand tenge and 5,297 thousand tenge was charged to financial income for the reporting period (Note 25).

13. OTHER CURRENT ASSETS

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Short-term advances paid	140,988	89,616	6,930
Guarantees as the security of execution of the contract	212,982	-	-
Deferred expenses	3,997	1,784	1,660
	357,967	91,400	8,590

As at 31 December 2011, guarantees issued as the security of execution of contracts are denominated in tenge.

14. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010	1 January 2010
Short-term deposits	-	30,000	-
Cash on bank accounts, in tenge	2,797,691	4,324,308	82,436
Petty cash, in tenge	386	17	-
Total	2,798,077	4,354,325	82,436

As at 31 December 2011 and 2010 and 1 January 2010, cash and cash equivalents were denominated in tenge.

15. CHARTER CAPITAL

As at 31 December 2011 and 2010, authorized, issued and fully paid-up share capital of the Company consisted of 12,101,802 ordinary shares with the par value of 1,000 tenge each (1 January 2010: 7,381,594 shares with the par value of1,000 tenge).

During 2010, the Company's share capital was formed by cash of 4,500,000 thousand tenge and assets of 220,208 thousand tenge.

As at 31 December 2011, 100% of the Company's shares were owned by JSC SWF Samruk-Kazyna (31 December 2010: 60.99% - JSC SWF Samruk-Kazyna, 39.01% - PA Committee on State Properties and Privatisation of the Ministry of Finance of the Republic of Kazakhstan).

In 2011, the Company declared dividends paid to the Company's shareholder for 2007-2008: 50 mln. tenge during 2012, 66 mln. tenge during 2013.

16. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2011, 2010 and 1 January 2010, additional paid-in capital of 94,223 thousand tenge represents a difference equal to the fair value adjustment of the interest-free loan issued by the Company's shareholder (Note 17).

17. NON-BANK BORROWINGS

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
JSC Sovereign Wealth Fund Samruk-Kazyna	150,045	250,045	250,045
Less: fair value adjustment	(22,218)	(52,220)	(81,439)
	127,827	197,825	168,606
including:			
Current portion	127,827	88,878	-
Non-current portion	-	108,947	168,606

During 2008, the Company received an interest-free loan of 250,045 thousand tenge from the parent company for the purpose of business development. The Company calculated fair value of these loans using effective interest rate of 16.1%, and recognized fair value adjustments 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 2011 and 2010, unwinding of a discount of 30,002 thousand tenge and 29,219 thousand tenge, respectively, was recognized as interest expenses (Note 26).

18. TRADE AND OTHER PAYABLES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Payables to subsidiaries	32,518	86,541	22,389
Payables to related parties	43,465	-	-
Other payables	4,644	46,877	1,412
	80,627	133,418	23,801

As at 31 December 2011, 2010 and 1 January 2010, trade and other payables were denominated in tenge.

19. OTHER TAXES PAYABLE

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
VAT payable	77,890	-	-
Social tax	11,208	3,274	7,017
Income tax from individuals	10,856	3,911	8,131
Other taxes	1,352	4,483	-
	101,306	11,668	15,148

20. OTHER CURRENT LIABLITIES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Dividends payable	116,000	-	-
Provision for employee benefits	69,000	-	-
Provision for unused vacation	24,613	-	-
Payroll liabilities	-	637	551
Other payables	102	2,550	302,032
	209,715	3,187	302,583
Including non-current portion of dividends payable	(66,000)	-	-
	143,715	3,187	302,583

As at 31 December 2011, 2010 and 1 January 2010, other current liabilities were denominated in tenge.

21. REVENUE

	2011	2010
Revenue from sale of goods	12,857,596	1,559,624
Revenue from managerial services	219,292	103,840
	13,076,888	1,663,464

22. COST OF SALES

	2011	2010
Goods	10,443,038	1,558,407
Services from related parties	1,677,793	-
Total	12,120,831	1,558,407

For the year ended 31 December 2011, services from related parties represent repair of military equipment and instructional services.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010 (restated)
Salary and related taxes	405,152	242,878
Professional services	93,880	70,542
Taxes	47,683	35,056
Operating lease expenses	44,622	4,305
Depreciation and amortization	42,530	38,178
Business trips and representative expenses	42,184	23,942
Security	14,052	13,450
Materials	7,151	6,394
Communication services	5,958	5,350
Repair and maintenance	5,534	2,666
Insurance	2,809	4,671
Utilities	2,513	3,170
Professional training	2,411	213
Other	39,551	16,869
	756,030	467,684

24. PROVISION COSTS

	2011	2010 (restated)
Accrual of the provision for employee benefits	69,000	-
Accrual of the provision for doubtful debts (Notes 11 and 12)	457,915	53,303
Accrual of the provision for unused vacation	24,613	-
Accrual of the provision for impairment of investments (Notes 7 and 8)	49,109	-
	600,637	53,303

Accrual of the provision for doubtful debts for the years ended 31 December 2011 and 2010, include accrual of the provision for finance lease receivables of 13,388 thousand tenge and 53,303 thousand tenge, respectively.

25. FINANCIAL INCOME

	2011	2010 (restated)
Income in the form of interests on current accounts	73,285	-
Interests on finance lease	776	9,184
Amortization of fair value adjustment (Note 12)	83,155	5,297
	157,216	14,481

26. FINANCE COSTS

	2011	2010 (restated)
Amortization of fair value adjustment (Note 17)	30,002	29,219
	30,002	29,219

27. TAXATION

	2011	2010 (restated)
Current income tax expenses	10,993	-
Deferred income tax expenses/(benefit)	27,935	(47,199)
Income tax expenses/(benefit)	38,928	(47,199)

The tax effect of the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2011 and 2010, are presented below:

	31 December 2011	31 December 2010 (restated)
Deferred income tax assets		
Loans issued	7,990	1,478
Tax loss carry forward	15,615	85,583
Provision for doubtful debts	35,385	164
Provision for unused vacation and bonuses	18,723	-
Total deferred income tax assets	77,713	87,225
Deferred income tax liabilities		
Property, plant and equipment and intangible assets	(15,218)	(13,938)
Loans received	(4,444)	(10,444)
Total deferred income tax liabilities	(19,662)	(24,382)
Total net deferred income tax assets	58,051	62,843

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:

	2011	2010 (restated)
Profit/(loss) before income tax	74,140	(141,959)
Theoretical tax at statutory income tax rate of 20%	14,828	(28,391)
Change in deferred assets	(4,792)	-
Tax effect from permanent differences	28,892	(18,808)
Income tax	38,928	(47,199)

In November 2010, there were amendments to the Tax Code of Republic of Kazakhstan in relation to the income tax rates. According to those amendments, starting from 1 January 2011 the income tax rate was fixed at 20%, without decrease in subsequent years.

28. COMMITMENTS AND CONTINGENCIES

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 2011.

Guarantees and letters of credit

In the course of its activity the Company uses guarantees and letters of credit to satisfy the needs of its customers with off-balance risks. These conditions include various credit risks. In 2011, the Company issued bank guarantees totalling 530,000 thousand tenge as collateral on subsidiaries' loans. As at 31 December 2011, the Company did not have any liabilities related to these guarantees.

Market limitation

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

29. FINANCIAL INSTRUM,ENTS, OBJECTIVES AND FINANCIAL RISK MANAGEMENT POLICY

The main financial instruments of the Company include loans, cash and cash equivalents, 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

Management considers this risk immaterial as significant portion of the Company's operations is in 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 issued (Note 12) less provisions 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**
2011					
Interest-free:					
Trade and other payables	-	80,627	-	-	80,627
Other current liabilities	-	50,102	66,000	-	116,102
Non-bank borrowings	-	150,045	-	-	150,045

	Interest rate	**1 month – 1 year**	**1-5 years**	**More than 5 years**	**Total**
2010 (restated)					
Interest-free:					
Trade and other payables	-	133,418	-	-	133,418
Other current liabilities	-	3,187	-	-	3,187
Non-bank borrowings	-	100,000	150,045	-	250,045

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 cash flows of other periods.

	Interest rate	1 month – 1 year	1-5 years	More than 5 years	Undefined	Total
2011						
Guarantees as security of execution of contracts	-	212,982	-	-	-	212,982
Loans issued	-	533,343	-	-	267,545	800,888
Finance lease receivables	-	191,537			230,485	422,022
Cash and cash equivalents	-	2,798,077	-	-	-	2,798,077
Trade and other receivables	-	419,629	-	-	176,926	596,555
2010 (restated)						
Loans issued	-	-	305,088	-	-	305,088
Cash and cash equivalents	-	4,354,325	-	-	-	4,353,325
Trade and other receivables	-	443,178	-	-	820	443,998
Finance lease receivables	-	319,187	-	-	217,097	536,284

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.

Accounts payable and receivable

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.

30. TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties carried out by the Company for the years ended 31 December 2011 and 2010, 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 provision for doubtful debts as at 31 December 2011 and 2010 are presented as follows:

	2011	2010
JSC 811 Motor-repair Plant KE	191,537	303,966
The united center of armament controlling systems introduction LLP	56,764	-
JSC Machinery plant after Kirov	739,560	194,891
JSC Semipalatinsk machinery construction plant	297,632	293,598
JSC ZIKSTO	59,703	67,435
JSC Instrument making plant Omega	52,789	80,472
Other subsidiaries	144,799	104,996
Less: provision for doubtful debts	(267,545)	-
	1,275,239	1,045,358

Payables to related parties including loans and dividend payables as at 31 December 2011 and 2010 are presented as follows:

	2011	2010
JSC SWF Samruk-Kazyna (Notes 17 and 20)	243,827	197,825
JSC Semei engineering	26,693	1,251
Other	5,825	85,290
Total	276,345	284,366

For the years ended 31 December 2011 and 2010, the Company received income of 12,857,596 thousand tenge and 1,557,614 thousand tenge, respectively, from sale of goods and provision of services to the Ministry of Defence of the Republic of Kazakhstan and organisations within its jurisdiction, as well as to the Ministry of Emergency Situations of the Republic of Kazakhstan.

For the years ended 31 December 2011 and 2010, the Company received income of 219,292 thousand tenge and 103,840 thousand tenge, respectively, from provision of management services to subsidiaries.

Expenses related to services provided and goods purchased from related parties for the years ended 31 December 2011 and 2010 are presented as follows:

	2011	2010
Thales Kazakhstan Engineering LLP	-	1,557,614
Eurocopter Kazakhstan engineering LLP	10,583,740	-
JSC Semei engineering	1,537,091	-
Total	12,120,831	1,557,614

For the years ended 31 December 2011 and 2010, compensation to the key management personnel amounted to 134,735 thousand tenge and 66,758 thousand tenge, respectively.

31. SUBSEQUENT EVENTS

After the reporting date the Company provided interest-free financial aid of 3,986,549 thousand tenge to subsidiaries and joint ventures for the purpose of development of activities of these entities; received advance payments of 14,497,178 thousand tenge from the Ministry of Defence of the Republic of Kazakhstan and the Ministry of Emergency Situations of the Republic of Kazakhstan for supply of goods and services; and made advance payments of 12,914,953 thousand tenge to Eurocopter Kazakhstan Engineering LLP for supply of helicopters and 178,200 thousand tenge to JSC 405 Auto Repair Plant for repair of military equipment.

On 13 January 2012, the Company made a contribution of 394,859 thousand tenge to the charter capital of its subsidiary, Integrated Center of Implementation of Armament Management Systems LLP.

On 27 January 2012, the Company offset the receivables of 191,537 thousand tenge from JSC 405 Auto Repair Plant.

On 15 February 2012, the Company received a loan of 5,000,000 thousand tenge from the parent company with the interest rate of 3% per annum and maturity till 30 December 2013 with the purpose of establishing the center for manufacture of electronic and optical devices in the Republic of Kazakhstan, and establishing own production complex dealing with modernization, engineering and technical maintenance and repair of military armour based on the subsidiary.