JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING AND ITS SUBSIDIARIES

Consolidated financial statements
for the year ended 31 December 2012

CONTENT

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

Management of JSC National Company Kazakhstan Engineering (hereinafter – "the Company") and its subsidiaries (hereinafter – the "Group") is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated 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 Group's consolidated financial position and consolidated financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2012 were approved and authorized for issue by management of JSC National Company Kazakhstan Engineering on 15 March 2013.

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director

Bolat Mukashev
Director-chief accountant of corporate finance and accounting department

15 March 2013
Astana, Kazakhstan

Deloitte.

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

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INDEPENDENT AUDITORS' REPORT

To Shareholder and Board of Directors of Joint Stock Company National Company Kazakhstan Engineering:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

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

Nurlan Bekenov
General director
Deloitte, LLP

15 March 2013
Almaty, Kazakhstan

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING AND ITS SUBSIDIARIES

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

	Notes	31 December 2012	31 December 2011
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	10,146,158	7,298,784
Intangible assets	7	212,306	164,779
Investments in associates and joint ventures	8	4,267,076	3,516,279
Other non-current assets	9	1,063,235	342,252
Deferred tax assets	33	213,691	132,567
Investment property		45,196	54,753
Long-term investments		4,417	4,417
Total non-current assets		15,952,079	11,513,831
CURRENT ASSETS:			
Inventory	10	10,887,246	8,197,964
Trade accounts receivable	11	1,817,049	1,159,342
Income tax prepaid		146,397	79,156
Other taxes recoverable	12	641,505	557,558
Restricted cash	13	87,062	82,391
Other current assets	14	6,296,234	2,268,510
Cash and cash equivalents	15	10,114,635	3,485,674
		29,990,128	15,830,595
Non-current assets classified as held-for-sale		1,832	64,004
Total current assets		29,991,960	15,894,599
TOTAL ASSETS		45,944,039	27,408,430
КАПИТАЛ И ОБЯЗАТЕЛЬСТВА			
EQUITY:			
Charter capital	16	12,101,802	12,101,802
Additional paid-in-capital	17	743,301	522,835
Retained earnings		7,696,411	3,874,545
Equity attributable to Parent of the Company		20,541,514	16,499,182
Non-controlling interests	18	561,383	573,174
Total equity		21,102,897	17,072,356
NON-CURRENT LIABILITIES:			
Loans	19	462,327	539,164
Debt securities issued	20	4,327,836	-
Finance lease obligations	21	1,415,843	479,222
Other non-current liabilities	22	218,216	866,309
Deferred tax liabilities	33	639,649	642,935
Debt component of preferred shares		205,072	197,846
Total non-current liabilities		7,268,943	2,725,476

CONSOLIDATED STATEMENT OF FINANCIAL POSTITION
AS AT 31 DECEMBER 2012 (CONTINUED)

(in thousands of tenge)

	Notes	31 December 2012	31 December 2011
CURRENT LIABILITIES:			
Loans and current portion of long-term loans	19	6,220,430	2,440,297
Current portion of debt securities issued	20	34,005	-
Current portion of finance lease obligations	21	345,031	152,792
Financial liability at fair value through profit or loss	21	204,370	183,230
Trade accounts payable	23	3,911,553	719,931
Income tax payable		236,113	156,278
Other taxes payable	24	1,427,207	1,024,415
Other current liabilities	25	5,193,490	2,933,655
Total current liabilities		17,572,199	7,610,598
TOTAL EQUITY AND LIABILITIES		45,944,039	27,408,430

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director

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

Bolat Mukashev
Director-chief accountant of corporate finance and accounting department

15 March 2013
Astana, Kazakhstan

The notes on pages 10-50 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING AND ITS SUBSIDIARIES

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

	Notes	2012	2011
REVENUE	26	52,153,614	33,623,194
COST OF SALES	27	(43,392,917)	(28,222,723)
GROSS PROFIT		8,760,697	5,400,471
General and administrative expenses	28	(3,807,427)	(2,855,658)
Selling expenses	29	(841,849)	(640,484)
Other profit and losses	30	618,165	502,530
Foreign exchange (loss)/income, net		(21,272)	50,374
Share of profit in associates and joint ventures	8	997,227	727,527
Loss on financial liabilities at fair value through profit and loss	21	(21,140)	(28,417)
Finance income	31	314,818	79,531
Finance costs	32	(790,886)	(389,858)
PROFIT BEFORE INCOME TAX		5,208,333	2,846,016
INCOME TAX EXPENSE	33	(670,367)	(581,929)
Profit for the year from continuing operations		4,537,966	2,264,087
Profit for the year from discontinued operations	34	20,580	-
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,558,546	2,264,087
Net profit and total comprehensive income attributable to:			
Parent of the Company		4,522,297	2,149,510
Non-controlling interests	18	36,249	114,577
		4,558,546	2,264,087

Signed on behalf of management of the Group

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

Aliya Zhetenova
Managing Director

Bolat Mukushev
Director-chief accountant of corporate finance and accounting department

15 March 2013
Astana, Kazakhstan

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

	Notes	Charter capital	Additional paid-in capital	Retained earnings	Equity attributable to Parent of the Company	Non-controlling interests	Total
At 1 January 2011		12,101,802	522,835	1,856,543	14,481,180	458,597	14,939,777
Net profit and total comprehensive income for the year		-	-	2,149,510	2,149,510	114,577	2,264,087
Measurement of debt component of preferred shares		-	-	(15,508)	(15,508)	-	(15,508)
Dividends	16	-	-	(116,000)	(116,000)	-	(116,000)
At 31 December 2011		12,101,802	522,835	3,874,545	16,499,182	573,174	17,072,356
Net profit and total comprehensive income for the year		-	-	4,522,297	4,522,297	36,249	4,558,546
Fair value adjustment on loan received from Shareholder, less deferred tax effect of 55,117 thousands tenge	19	-	220,466	-	220,466	-	220,466
Measurement of debt component of preferred shares		-	-	(7,226)	(7,226)	-	(7,226)
Dividends	16, 18	-	-	(693,205)	(693,205)	(48,040)	(741,245)
At 31 December 2012		12,101,802	743,301	7,696,411	20,541,514	561,383	21,102,897

Signed on behalf of management of the Group:

Aliya Zhetenova	**Bolat Mukushev**
Director-chief accountant of corporate finance and accounting department	

15 March 2013
Astana, Kazakhstan

The notes on pages 10-50 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING AND ITS SUBSIDIARIES

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

	Notes	2012	2011
OPERATING ACTIVITY:			
Profit before income tax		5,228,913	2,846,016
Adjustments for:			
Amortisation and depreciation	27, 28, 29, 30	621,234	644,860
Impairment of property, plant and equipment	30	-	24,925
Allowance for doubtful accounts	28	32,936	(38,304)
Allowance for obsolete inventories	28	(56,046)	56,078
Gain from property, plant and equipment and intangible assets disposal	30	(532,944)	(393,664)
Foreign exchange loss/(gain)		21,272	(50,374)
(Gain)/loss from investments disposal		(40,371)	1,074
Share of profit in associates and joint venture	8	(997,227)	(727,527)
Loss on financial liabilities at fair value through profit and loss	21	21,140	28,417
Warranty provision		371,036	113,830
Unused vacation provision		524,442	145,423
(Reversal)/accrual of expenses for delivering services		(392,792)	392,792
Other provisions		145,840	(5,109)
Finance income		(95,377)	-
Finance costs	32	790,886	389,858
Cash flows from operating activity before changes in working capital		5,642,942	3,428,295
Changes in working capital:			
Change in inventory		(2,704,973)	(2,397,235)
Change in trade accounts receivable		(664,257)	31,889
Change in value added tax and other taxes recoverable		64,934	(297,376)
Change in other assets		(2,034,694)	(1,407,251)
Change in trade accounts payable		3,184,505	(632,907)
Change in taxes payable		353,571	583,074
Change in other liabilities		813,679	(1,089,175)
Cash generated by/(used in) operating activity		4,655,707	(1,780,686)
Interests paid		(445,596)	(357,820)
Income tax paid		(736,242)	(537,364)
Net cash generated by/(used in) operating activity		3,473,869	(2,675,870)
INVESTING ACTIVITY:			
Acquisition of property, plant and equipment		(2,002,753)	(717,633)
Acquisition of intangible assets		(107,141)	(22,537)
Advances paid for non-current assets	9	(921,130)	(240,249)
Acquisition of investments in associates		-	(1,319,595)
Short-term loans given		(2,200,000)	(307,000)
Repayment for short-term loans given		54,474	307,000
Dividends received		248,825	74,246
Proceeds from disposal of property, plant and equipment		686,898	692,098
Net cash inflow on disposal of subsidiary	34	8,436	-
Acquisition of short-term investments		(4,671)	(547)
Net cash used in investing activity		(4,237,062)	(1,534,217)

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

	Notes	2012	2011r.
FINANCING ACTIVITY:			
Proceeds from debts securities issued	20	4,317,912	-
Loans received		9,913,114	7,246,081
Loans repaid		(5,990,938)	(5,919,378)
Finance lease repaid		(71,999)	(20,373)
Dividends paid		(775,935)	(77,815)
Net cash generated by financing activity		7,392,154	1,228,515
CHANGE IN CASH AND CASH EQUIVALENTS, net		6,628,961	(2,981,572)
CASH AND CASH EQUIVALENTS, at the beginning of the year	15	3,485,674	6,467,246
CASH AND CASH EQUIVALENTS, at the end of the year	15	10,114,635	3,485,674

Significant non-cash transactions:

For the years ended 31 December 2012 and 2011:

	2012	2011
Additions of property, plant and equipment and component parts under finance lease (Note 21)	1,240,676	-
Transfer from inventories to property, plant and equipment (Note 6)	72,713	-
Fair value adjustment on loan given to associate (Note 8)	72,991	13,045
Transfer from inventories to other non-current assets	63,503	-
Offset of advances paid against finance lease (Note 9)	223,582	-
Fair value adjustment on loan received from Shareholder	220,466	-
Finance costs capitalized to the cost of property, plant and equipment	72,405	-
Accrued depreciation in the cost of finished goods and work-in-progress	38,656	1,685

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director

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

Bolat Mukushev
Director-chief accountant of corporate finance and accounting department

15 March 2013
Astana, Kazakhstan

The notes on pages 10-50 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

1. GENERAL INFORMATION

Joint Stock Company National Company Kazakhstan Engineering (the "Kazakhstan Engineering" or the "Company") was established in accordance with Decision of the Government of the Republic of Kazakshtan No.244 dated 13 March 2003 for the purpose of development of military production industry management system in the Republic of Kazakhstan. The Company was registered as a legal entity in the Justice Department of Astana city on 16 April 2003 (registration number No.13659–1901–AO). On 20 May 2005, the Company was reregistered in the Justice Department of Astana city (registration number No.13659-1901-AO).

As at 31 December 2012 and 2011, the sole shareholder of the Company is JSC Sovereign Wealth Fund Samruk-Kazyna. On 15 June 2010, 100% shares were transferred for asset management to Ministry of Defence of the Republic of Kazakhstan.

Principal activity of the Company and its subsidiaries are:

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

These consolidated financial statements include financial statements of the Company and its following subsidiaries (together referred as the "Group"):

Subsidiary	Nature of operation	Country	Ownership share	
			31 December 2012	31 December 2011
JSC 811 Motor-repair Plant KE	Repair of vehicles, armored machinery, motor assembly and power unit, modernization of equipment	Kazakhstan	100%	100%
JSC 832 Motor-repair Plant KE	Repair of vehicles	Kazakhstan	100%	100%
JSC Plant named after Kirov	Navigation systems, radio stations, railway control console, oil and gas control units and automated machinery	Kazakhstan	84%	84%
Kazakhstan engineering Distribution LLP	Distribution of Group's produced goods, investments attraction, participation in state programs and state purchases for equipment supply	Kazakhstan	49%	100%
JSC Machinery plant named after Kirov	Submarine weapons and hydraulics and automatics for marine ships; pneumatic perforators for extracting industry; spare parts for railway industry	Kazakhstan	98%	98%
JSC Munaimash	Downhole sucker rod pumps for oil and gas sector, wide range goods	Kazakhstan	52%	52%
JSC Research Institute Hydropribor	Design and research, manufacture of marine, river boats, ships, boats and other vessels and underwater vehicles, ground and aerial robots and boats, equipment for underwater inspection and repair of pipelines, oil rigs, underwater objects	Kazakhstan	93%	93%
JSC Instrument making plant Omega	Water purification plants "Taza Su", parts and components for railway, digital phone stations and spare parts, phones, wide range goods	Kazakhstan	99%	99%
JSC Petropavlovsk heavy machinery construction plant	Special equipment for oil, vessels working under pressure, and tools for repair and maintenance railways, parts of rolling stock, production and sale of special products, production and modernization of modern military hardware	Kazakhstan	100%	100%
JSC Semei engineering	Repair of armored military vehicles, engines, car shipping	Kazakhstan	100%	100%
JSC Semipalatinsk machinery construction plant	Crawler-Transporters tractors, manhole covers for the wagons, repair of engineering equipment	Kazakhstan	99%	99%
Kuzet LLP	Security	Kazakhstan	100%	100%
JSC Tynys	Medical equipment, gas drive fittings, aviation products, tubes, extinguishing	Kazakhstan	99%	99%
JSC Uralsk plant Zenith	Boats and ships for the Navy of RK, design and fabrication of steel structures, parts for oil and gas industry	Kazakhstan	95%	95%
JSC KazEng Electronics	Research and works in electronics, the creation of automated control systems, development and implementation of programs and technologies	Kazakhstan	100%	100%
The united center of armament controlling systems introduction LLP	Design and development of new types of special products for the defense industry, with the use of automated control systems for weapons	Kazakhstan	100%	100%
Kazakhstan Aviation Industry LLP	Maintenance and support of aviation technics	Kazakhstan	100%	-

In 2012, the Group sold its controlling interest (51%) in Kazakhstan engineering Distribution LLP (Notes 8 и 34).

As at 31 December 2012 and 2011, the Group also had investments in associates and joint ventures, described in Note 8.

Legal address: 10, Kunayev str, Astana, Republic of Kazakhstan.

Number of employees of the Group as at 31 December 2012 was 6,458 people (31 December 2011: 4,730 people).

The consolidated financial statements for the year ended 31 December 2011 was approved by management on 15 March 2013.

Operating Environment

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations adopted during the current year

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

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

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

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

Standards and Interpretations issues, but not effective

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

- IAS 1 Presentation of Financial Statements – Amendments related to presentation of items of other comprehensive income (effective for reporting periods beginning on or after 1 July 2012);
- IFRS 7 Financial Instruments: Disclosures – Amendments requiring disclosure of information on first-time adoption of IFRS 9 (effective for reporting periods beginning on or after 1 January 2015);
- IFRS 9 Financial Instruments (effective for reporting periods beginning on or after 1 January 2015);
- IFRS 10 Consolidated Financial Statements (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 11 Joint Arrangements (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 12 Disclosure of Interests in Other Entities (effective for reporting periods beginning on or after 1 January 2013);
- IFRS 13 Fair Value Measurement (effective for reporting periods beginning on or after 1 January 2013);

- IAS 19 Employee Benefits (June 2011) – Amendments resulting from the post-employment benefits and termination benefits projects (effective for reporting periods beginning on or after 1 January 2013);
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for reporting periods beginning on or after 1 January 2013);
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for reporting periods beginning on or after 1 January 2013);
- IAS 32 Financial Instruments: Presentation – Amendments relating to the offsetting of financial assets and liabilities (effective for reporting periods beginning on or after 1 January 2014).

In May 2011, a package of five standards was issued (IFRS 10, IFRS 11, IFRS 12, IAS 27 (2012) and IAS 28 (2012)), in which the consolidations, joint arrangements, investments in associates and disclosure of information issues were considered. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments.

Functional and presentation currency

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

Foreign currency transactions

In preparing the consolidated financial statements of the Group, transactions in currencies other than the functional (in foreign currencies) are recorded at the exchange rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the relevant exchange rate at the reporting 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 arising from changes in exchange rates are reflected in profit or loss for the period in the period they arise by a separate item, except for the following:

- exchange differences on loans in foreign currency relating to construction in progress meant for future use for production purposes are included into the cost of such assets as an adjustment of interest expenses on loans in foreign currency;
- exchange differences on hedges of certain 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises (including special purpose entities) controlled by the Company (its subsidiaries). The company is controlled by the Company if the Company's management can determine the financial and operating policies of an entity so as to obtain benefits for the Company from its activities.

Revenues and expenses of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income, beginning from the date of their actual purchase and till the effective date of disposal, respectively. Total comprehensive income of subsidiaries relates to the shareholders of the Company and Non-controlling interests (NCI), even if it leads to a negative balance of NCI.

If necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with the principles of the Group's accounting policies.

All transactions among Group's companies, related balances and unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any NCI.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a contractual arrangement whereby one or more parties undertake an economic activity that is subject to joint control. Investments in associates/joint ventures are recognized in the consolidated statement of financial position at cost, plus the change in the Group's share of net assets of the associate/joint venture after the acquisition, less impairment. When the Group's share of losses in these entities exceeds the Group's ownership in an entity (which includes any long-term share ownership, which, in fact, form part of the Group's net investment in the organization), the Group ceases to recognize its share of further losses. The Group's share in the profits and losses of associates/joint ventures is recognized in the consolidated statement of comprehensive income of the Group.

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. The estimated useful lives, 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	Useful lives
Buildings and constructions	8 - 100 years
Machinery and equipment	3 - 20 years
Vehicles	5 - 10 years
Other assets	4 - 20 years

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

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

Intangible assets

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

Investment property

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

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Group 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). 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. When 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to sell.

Costs of finished goods and work-in-progress are determined on a weighted-average basis and include direct costs of materials and direct costs for wages and those overheads that have been incurred to bring inventories to their current status and delivery to the existing location.

Recognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognised based on its principles of recognition at the date of transaction.

Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration received or paid compensation, including or subtracting the transaction costs, and subsequently measured at fair value or amortised cost.

Fair value is generally determined by reference to the official market quotations. When the market quotations are not available, fair value is determined using generally accepted methods of measurement, such as discounted future cash flows, which are based on market data.

Amortised cost is estimated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 include money in bank accounts, cash in transit, cash in hand and short-term deposits with an original maturity not exceeding three months.

Trade accounts receivable

Trade receivables are recognised and reflected in the accounting records of the amounts billed for payment, net of allowance for doubtful debts. Allowance for doubtful debts accrued by the Group when receivable is not recovered within contractual terms. Allowance for doubtful debts is reviewed periodically and, if there is a need for adjustments, the relevant amounts are recognised in the consolidated statement of comprehensive income of the reporting period, when such was revealed. Bad debts are written off when revealed against previously created allowance.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and other receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Other financial assets

Other financial assets 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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period.

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, for example: significant change in expected cash flows from investment, significant financial difficulty of the issuer or counterparty, breach of contract, provision of discounts due to financial difficulties of the borrower, it becoming probable that the borrower will enter bankruptcy or financial re-organisation, the disappearance of an active market for that financial asset. 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 group entities 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.

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 Group are recognised at the proceeds received, net of direct issue costs.

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.

Preferred shares

Preferred shares with fixed dividends represent a combined financial instrument according to the essence of an agreement. Based on this, equity and liability components are presented separately in the consolidated statement of financial position. At initial recognition, equity component is recognized as the initial book value of the instrument less fair value of liability component. Initially recognized fair value of liability component is calculated deduction of the projected cash flows from the similar debt instrument at the market interest rate. Further, the liability component is measured using the same principle as for subordinated debt, and the equity component – the same principle as for share capital.

Financial liabilities are represented by contractual agreements, which are recorded when an obligation under the contracts arises.

Trade and other accounts payable

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

Loans and borrowings

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

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

Gains and losses, other than borrowing costs eligible for capitalization (for example, commission on guarantees of third parties), are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Offsets

Financial assets and financial liabilities may be offset and the net amount be shown in the consolidated statement of financial position only when there is a legal right to offset the recognised amounts and the Group has the intention to settle or realise the asset and settle the liability simultaneously.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking, or (3) which are designated by the Group at fair value through profit or loss upon initial recognition. Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses estimates to determine fair value for financial assets and liabilities at fair value through profit or loss, including embedded derivatives. Fair value adjustment of financial assets and liabilities at fair value through profit or loss are recognized in the consolidated statement of comprehensive income. The Group does not reclassify financial instruments in or out of this category while they are held.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where appropriate, part of a financial asset or part of a group of similar financial assets) is derecognised if:

- expired rights to receive cash flows from the asset;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party in accordance with the transfer agreement, and referred, substantially all the risks and rewards of the asset, or
- the Group 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) and not passed on, and kept all the risks and rewards of the asset, but has transferred control of the asset.

If the Group has transferred its rights to receive cash flows from the asset and neither passed nor kept all the risks and rewards of the asset, nor transferred control over the asset, the asset is recognized to the extent that the Group continues to participate in the asset. Continuance of participation that takes the form of guarantee over the transferred asset is measured at the lower of the original carrying value of the asset and the maximum amount of compensation that may be required from the Group as a settlement.

Financial liabilities

Financial liabilities (or part of the financial liability) are derecognised when it is settled, i.e. when under the agreement the obligation is fulfilled, cancelled or expired.

Revenue recognition

Revenue is recognised to the extent that it is probable that the Group will receive certain economic benefits, and income can be calculated or estimated with sufficient accuracy.

Sale of goods

Revenue from the sale of goods is recognised upon delivery of the goods and the transfer of ownership.

Rendering of services

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

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Lease

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

The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group'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 Group'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 Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group 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 consolidated 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 Group's general policy on borrowing costs (see note 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.

Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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.

Pension fund liabilities

The Group makes payments to 10% of employees' salaries as contributions to pension funds, but not more than 130,792 tenge per month (2011: not more than 119,992 tenge). Payments to pension funds deducted from employees' salaries and are included in the total cost of salaries and deductions in the consolidated 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 consolidated 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 Group'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 consolidated 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.

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

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 liabilities and assets 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and to use subjective estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of potential assets and liabilities at the date of signing the financial statements and the recorded amounts of revenues and expenses during the reporting period. Despite the fact that these estimates are based on historical knowledge, and other significant factors, events or actions may arise in such a way that actual results will differ from these estimates.

Key assumptions for the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the following financial year are discussed below:

Recognition and estimation of debt component of preferred shares

In the process of use of accounting policies in regard to debt component of the Group's preferred shares, the management applied its judgments to terms of these shares and decided that the Group's preferred shares should be considered as a compound instrument in accordance with IAS 32 (revised) "Financial instruments: Presentation", as there is an obligation to pay dividends to investors. The standard requires that proceeds from issue of such a compound instrument are classified as equity or liability based on preferential right of such an instrument: contractual obligation to pay dividends is classified as liability, while participation in final allocation between shareholders – as equity.

Useful lives of property, plant and equipment

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

Warranty obligations

A provision for warranty is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Impairment of assets

At the end of each reporting period the Group 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. The assessment of whether there is an indication of impairment is based on a number of factors, such as expectations of growth, estimates of future cash flows, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate any impairment exists.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount an impairment is recorded. The recoverable amount is the greater of fair value less cost 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 management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount could result in an impairment, or reversal of an impairment in the future periods.

Valuation of inventories

Inventories are measured at the lower of cost or net realisable value. The Group recognises an allowance to reduce cost of slow-moving and obsolete inventories to the net realisable value. The actual amount of such realisation from disposal of inventories may differ from the net realisable value and any such differences may have a significant effect on future operating results.

Taxation

Various Kazakhstani legislation acts and regulations are not always clearly written. There may be cases of different interpretations between local, regional and national tax authorities. Thus, in the case of accrual of additional taxes by the tax authorities, the existing fines and penalties are set in a large size, the size of the penalty is 50% of the amount of additional taxation, and the penalty is 22.5% of the amount of tax paid late. As a result, fines and penalties may exceed the amount of additionally accrued taxes.

Due to the uncertainties stated above, the potential amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2012. The differences between estimates and actually paid amounts, if any, may have a significant effect on the Group's future profits.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially recognised and subsequently measured at fair value using market data, such as forward currency exchange rates and the risk-free discount rate.

5. SEGMENTS INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided; in respect of the 'specialised products and twofold purposes products' and 'civil purposes products' and 'services' operations. No operating segments have been aggregated in arriving at the reportable segments of the Group, except for other products and services, which individually do not exceed quantitative materiality.
Specifically, the Group's reportable segments are as follows:

- Specialised products and twofold purposes products;
- Civil purposes products; and
- Services (engineering).

Principles of accounting policies of reporting segments do not differ from Group accounting policy, described in Note 3. Management of the Group analyses only revenue from goods and services by segments. This indicator is provided to chief operating decision maker for the purpose of resources allocation and assessment of segment performance by segments.

Group's revenue analysis from continuing operations by major products and services is as follows:

	2012	2011
Specialised products and twofold purposes products	28,129,393	16,923,263
Civil purposes products	14,243,378	12,044,868
Services (engineering)	9,780,843	4,655,063
	52,153,614	33,623,194

The Group carries out its activity in Kazakhstan.

Group's revenue from continuing operations to external parties by countries is as follows:

	2012	2011
Kazakhstan	48,627,926	31,139,285
CIS countries	2,818,855	1,903,923
Other	706,833	579,986
	52,153,614	33,623,194

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery, equipment and vehicles	Other assets	Construction in process	Total
Initial or deemed cost:						
At 1 January 2011	194,232	4,864,644	5,122,819	408,060	167,548	10,757,303
Additions	5,500	125,930	487,441	84,505	14,257	717,633
Disposals	(27,885)	(232,434)	(90,962)	(9,204)	(7,602)	(368,087)
Transfer to assets classified as held-for-sale	-	(62,044)	(5,006)	-	-	(67,050)
Transfer to investment property	-	(119,463)	-	-	-	(119,463)
At 31 December 2011	171,847	4,576,633	5,514,292	483,361	174,203	10,920,336
Additions	39,957	196,601	735,462	177,015	1,163,512	2,312,547
Additions under finance lease	-	-	1,214,166	-	-	1,214,166
Loss of control over subsidiary	-	-	(15,846)	-	-	(15,846)
Transfer from inventories	-	18,507	48,001	-	6,205	72,713
Internal movement	-	305,037	(375)	-	(304,662)	-
Disposals	(16,529)	(75,769)	(92,122)	(24,098)	-	(208,518)
As at 31 December 2012	195,275	5,021,009	7,403,578	636,278	1,039,258	14,295,398
Accumulated depreciation and impairment:						
At 1 January 2011	-	(1,002,666)	(1,971,457)	(137,377)	-	(3,111,500)
Accrued depreciation for the year	-	(122,339)	(451,544)	(45,978)	-	(619,861)
Accrued impairment for the year	-	-	(24,925)	-	-	(24,925)
Loss of control over subsidiary	-	-	8,543	-	-	8,543
Disposals	-	25,150	30,105	5,855	-	61,110
Transfer to assets classified as held-for-sale	-	8,110	1,022	-	-	9,132
Transfer to investment property	-	55,949	-	-	-	55,949
At 31 December 2011	-	(1,035,796)	(2,408,256)	(177,500)	-	(3,621,552)
Accrued depreciation for the year	-	(119,831)	(440,325)	(66,894)	-	(627,050)
Disposals	-	20,553	71,696	7,113	-	99,362
At 31 December 2012	-	(1,135,074)	(2,776,885)	(237,281)	-	(4,149,240)
Carrying value:						
At 31 December 2012	195,275	3,885,935	4,626,693	398,997	1,039,258	10,146,158
At 31 December 2011	171,847	3,540,837	3,106,036	305,861	174,203	7,298,784

As at 31 December 2012, construction in process includes capital expenditures for repair of production workshop buildings and warehouses of subsidiary JSC Semei engineering of 821,322 thousand tenge and expenditures for the project "The development of consumable pattern foundry production" in subsidiary JSC Tynys of 209,231 thousand tenge (31 December 2011: capital expenditures for repair of production buildings of JSC Uralsk plant Zenith of 165,578 thousand tenge).

As at 31 December 2012 and 2011, property, plant and equipment with carrying value of 1,708,249 thousand tenge and 2,449,376 thousand tenge, respectively, were pledged as collateral for certain loans received by the Group (Note 19).

The cost of fully depreciated property, plant and equipment as at 31 December 2012 and 2011 amounted to 621,358 thousand tenge and 291,135 thousand tenge, respectively.

As at 31 December 2012, carrying value of property, plant and equipment received under finance lease amounted to 1,660,059 thousand tenge (31 December 2011: 487,418 thousand tenge). This equipment serves as collateral for the obligations under finance leases.

7. INTANGIBLE ASSETS

	Software	Other	Total
Initial or deemed cost:			
At 1 January 2011	140,741	27,285	168,026
Additions	5,447	76,182	81,629
Disposals	(21)	(35)	(56)
At 31 December 2011	146,167	103,432	249,599
Additions	103,443	3,698	107,141
Disposals	(182)	(36,245)	(36,427)
Loss of control over subsidiary	(76)	-	(76)
At 31 December 2012	249,352	70,885	320,237
Accumulated amortization and impairment:			
At 1 January 2011	(49,827)	(17,080)	(66,907)
Accrued amortization for the year	(12,230)	(5,693)	(17,923)
Disposals	-	10	10
At 31 December 2011	(62,057)	(22,763)	(84,820)
Accrued amortization for the year	(11,992)	(11,291)	(23,283)
Disposals	172	-	172
At 31 December 2012	(73,877)	(34,054)	(107,931)
Carrying value:			
At 31 December 2012	175,475	36,831	212,306
At 31 December 2011	84,110	80,669	164,779

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Name	Carrying value as at 31 December 2011	Acquired/ (received dividends)	Share in profit/(loss)	Carrying value as at 31 December 2012
Associates:				
JSC ZIKSTO	844,685	(71,664)	(73,008)	700,013
MBM-Kirovets LLP	354,560	(2,000)	3,016	355,576
JSC KAMAZ-Engineering	304,142	(14,164)	24,690	314,668
Indra Kazakhstan Engineering LLP	119,474	(182)	(10,681)	108,611
Kaz-ST Engineering Bastau LLP	15,547	-	(408)	15,139
OJSC Ulan	17,809	-	-	17,809
Kazakhstan engineering Distribution LLP	-	995	(995)	-
Joint ventures:				
Eurocopter Kazakhstan engineering LLP	1,615,026	(232,406)	1,069,389	2,452,009
Thales Kazakhstan Engineering LLP	220,406	-	(19,111)	201,295
Kazakhstan ASELSAN engineering LLP	24,630	72,991	4,335	101,956
	3,516,279	(246,430)	997,227	4,267,076

Name	Carrying value as at 1 January 2011	Acquired/ (received dividends)	Share in profit/(loss)	Carrying value as at 31 December 2011
Associates:				
JSC ZIKSTO	725,399	(59,757)	179,043	844,685
MBM-Kirovets LLP	341,764	1,221	11,575	354,560
JSC KAMAZ-Engineering	228,427	(5,575)	81,290	304,142
Indra Kazakhstan Engineering LLP	-	124,460	(4,986)	119,474
Kaz-ST Engineering Bastau LLP	17,152	-	(1,605)	15,547
OJSC Ulan	7,624	-	10,185	17,809
Joint ventures				
Eurocopter Kazakhstan engineering LLP	-	1,150,214	464,812	1,615,026
Thales Kazakhstan Engineering LLP	212,387	-	8,019	220,406
Kazakhstan ASELSAN engineering LLP	-	45,436	(20,806)	24,630
	1,532,753	1,255,999	727,527	3,516,279

The Group's investments in associates and joint ventures are as follows:

Name	Principal activity	31 December 2012	31 December 2011
		Ownership share, %	Ownership share, %
Associates			
JSC ZIKSTO	Repair of freight rail cars, repair of wheel sets with replacement of elements	42%	42%
Kaz-ST Engineering Bastau LLP	Investment holding activity and provision of defense, engineering services	49%	49%
KAMAZ-Semei LLP	Commercial activity	49%	49%
JSC KAMAZ-Engineering	Manufacture and sale of buses, cars, special-purpose equipment and its spare parts	25%	25%
Indra Kazakhstan Engineering LLP	Manufacture of radar systems, systems of electronic warfare and intelligence	49%	49%
Kazakhstan engineering Distribution LLP	Distribution of Group's produced goods, investments attraction, participation in state programs and state purchases for equipment supply	49%	100%
Joint ventures			
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	50%	50%
Kazakhstan ASELSAN engineering LLP	Manufacture of electronic and optical devices	50%	50%
Eurocopter Kazakhstan engineering LLP	Manufacture and technical maintenance of helicopters	50%	50%

On 11 October 2012, the Company sold its 51% ownership interest in subsidiary Kazakhstan engineering Distribution LLP. As a result, it started accounting for the residual share as investment in associate (Note 34).

During 2012, the Company recognised fair value adjustment on loan given to Kazakhstan ASELSAN engineering LLP in the cost of investments of 72,991 thousand tenge (2011: Kazakhstan ASELSAN engineering LLP – 13,045 thousand tenge and Eurocopter Kazakhstan engineering LLP - 267 thousand tenge) (Note 14).

9. OTHER NON-CURRENT ASSETS

	31 December 2012	31 December 2011
Advances paid for property, plant and equipment	921,130	240,249
Finance lease receivables	157,638	157,638
Inventories for capital repair and construction of non-current assets	63,503	69,545
Loans given to employees	18,505	22,979
Other long-term receivables	60,097	9,479
Less: allowance for doubtful debts	(157,638)	(157,638)
	1,063,235	342,252

As at 31 December 2011, advances paid to property, plant and equipment included advance paid to JSC DBK-Leasing of 223,852 thousand tenge in accordance with finance lease agreement for equipment (Note 37). During 2012, equipment was supplied and the Group offset the advances against finance lease obligations.

10. INVENTORY

	31 December 2012	31 December 2011
Work-in-progress	3,499,630	3,305,142
Raw materials	5,077,604	2,266,930
Finished goods	2,101,415	2,142,640
Goods for sale	420,635	490,156
Other	96,163	357,343
Less: allowance for obsolete inventories	(308,201)	(364,247)
	10,887,246	8,197,964

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

	2012	2011
Allowance for obsolete inventories at the beginning of the year	(364,247)	(321,542)
Recovered/(accrued) during the year	56,046	(56,078)
Written-off against previously created allowance	-	13,373
Allowance for obsolete inventories at the end of the year	(308,201)	(364,247)

11. TRADE ACCOUNTS RECEIVABLE

	31 December 2012	31 December 2011
Trade receivables from third parties	1,113,795	579,638
Trade receivables from related parties (Note 37)	748,796	623,836
Less: allowance for doubtful debts	(45,542)	(44,132)
	1,817,049	1,159,342

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

	2012	2011
Allowance for doubtful debts at the beginning of the year	(44,132)	(36,318)
Accrued during the year	(1,616)	(8,171)
Written-off against previously created allowance	206	357
Allowance for doubtful debts at the end of the year	(45,542)	(44,132)

As at 31 December 2012 and 2011, trade accounts receivable net of allowace for doubtful debts are denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	1,806,440	1,158,227
US dollars	-	827
Russian roubles	10,609	288
	1,817,049	1,159,342

12. OTHER TAXES RECOVERABLE

	31 December 2012	31 December 2011
Value added tax	604,010	545,457
Other taxes recoverable	37,495	12,101
	641,505	557,558

13. RESTRICTED CASH

	31 December 2012	31 December 2011
Bank guarantee	87,062	82,391
	87,062	82,391

As at 31 December 2012 and 2011, restricted cash represents cash on special bank account in JSC BTA Bank as a guarantee for execution of a contract for modernization of assembling inventory. Contract term is 25 May 2013.

14. OTHER CURRENT ASSETS

	31 December 2012	31 December 2011
Short-term advance given to third parties	3,492,561	1,699,598
Short-term advance given to related parties (Note 37)	20,806	12,984
Prepaid expenses	97,140	34,458
Receivable from employees	34,209	17,893
Dividends receivable (Note 37)	71,592	-
Interest-free loans (Note 37)	2,200,000	50,000
Guarantees for contracts execution	-	284,562
Other receivable from third parties	463,939	195,965
Short-term investments	-	1,800
Less: fair value adjusment (Note 37)	(31,810)	(5,418)
Less: allowance for doubtful debts	(52,203)	(23,332)
	6,296,234	2,268,510

In September 2011, the Group provided interest-free loans to joint venture, Kazakhstan ASELSAN engineering LLP, of 250,000 thousand tenge and 50,000 thousand tenge with maturity on 30 November 2011 and 31 December 2012, respectively. The Group measured these loans at amortised cost using market interest rate of 11.5% at the date of loans provision and recognised fair value adjustment in the cost of investments in joint venture of 13,045 thousand tenge. Also, during 2011, the Group recognised amortization of fair value adjustment in finance income of 7,627 thousand tenge (Note 31). The loan of 250,000 thousand tenge was repaid in December 2011, and the loan of 50,000 thousand tenge was repaid in December 2012. During 2012, the Group recognised amortization of fair value adjustment in finance income of 5,418 thousand tenge (Note 31).

Also, in March 2011, the Group provided interest-free loans to joint venture, Eurocopter Kazakhstan engineering LLP, of 7,000 thousand tenge with maturity on 1 July 2011. The Group measured these loans at amortised cost using market interest rate of 13.1% at the date of loans provision and recognised fair value adjustment in the cost of investments in joint venture of 267 thousand tenge. In 2011, the loan was fully repaid, and the Group recognised amortization of fair value adjustment in finance income of 267 thousand tenge (Note 31).

In 2012, the Group provided interest-free loans to joint venture, Kazakhstan ASELSAN engineering LLP, for the total amount of 2,200,000 thousand tenge with maturity on 31 March 2013. The Group measured these loans at amortised cost using market interest rate of 7% at the date of loans provision and recognised fair value adjustment in the cost of investments in joint venture of 72,991 thousand tenge. Also, during 2012, the Group recognised amortization of fair value adjustment in finance income of 41,181 thousand tenge (Note 31).

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

	2012	2011
Allowance for doubtful debts at the beginning of the year	(23,332)	(69,807)
(Accrued)/recovered during the year	(31,320)	46,475
Written-off against previously created allowance	2,449	-
Allowance for doubtful debts at the end of the year	(52,203)	(23,332)

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

15. CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash on bank accounts in tenge	9,106,226	3,350,186
Short-term deposits	924,505	81,005
Petty cash in tenge	15,290	31,593
Cash on bank accounts in foreign currencies	66,266	15,797
Cash on special bank accounts in tenge	-	5,089
Cash in transit in tenge	2,348	2,004
	10,114,635	3,485,674

The Group placed cash on short-term deposits with initial maturity from 1 to 3 months and annual interest rates from 3.8% to 6% (2011: from 4% to 5%).

Cash and cash equivalents are denominated in the following currencies:

	31 December 2012	31 December 2011
Tenge	10,043,419	3,469,877
US dollars	419	-
Euro	-	445
Russian roubles	64,043	15,352
Other currencies	6,754	-
	10,114,635	3,485,674

16. CHARTER CAPITAL

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

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

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

In 2011, the Company declared dividends to shareholder of the Company for 2007-2008 being paid: 50,000 thousand tenge in 2012 and 66,000 thousand tenge in 2013.

17. ADDITIONAL PAID-IN-CAPITAL

As at 31 December 2012 and 2011, additional paid-in-capital amounted to 743,301 thousand tenge and 522,835 thousand tenge, respectively. Additional paid-in-capital includes the following:

- a difference between the value of shares paid by PA Committee on State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan as a contribution to the charter capital and the value of registered charter capital of the Company of 428,612 thousand tenge (2011: 428,612 thousand tenge);
- fair value adjustment, less deferred tax effect, on the below market rate loan from Shareholder of 314,689 thousand tenge (2011: 94,223 thousand tenge) (Note 19).

18. NON-CONTROLLING INTERESTS

	2012	2011
At 1 January	573,174	458,597
Net profit and total comprehensive income for the year, attributable to non-controlling interests	36,249	114,577
Dividends	(48,040)	-
At 31 December	561,383	573,174

During 2012, the subsidiary, JSC Munaimash, declared dividends for 2011. The amount of dividends to non-controlling interests amounted to 48,040 thousand tenge (2011: nil).

19. LOANS

	Maturity	Interest rate	31 December 2012	31 December 2011
Secured loans				
JSC Halyk Bank of Kazakhstan	November 2016	8%-16%	918,527	876,922
JSC BTA Bank	January 2015	8%-12.54%	853,913	1,123,329
JSC Temir Bank	April 2013	14%	-	728,807
JSC Eurasian Bank	-	13%-14.25%	-	102,576
			1,772,440	2,831,634
Unsecured loans				
JSC SWF Samruk-Kazyna			5,017,084	150,045
Less: fair value adjustment			(106,767)	(22,218)
JSC BTA Bank	June 2012	13%	-	20,000
			4,910,317	147,827
			6,682,757	2,979,461
Short-term loans and current portion of long-term loans			6,220,430	2,440,297
Long-term loans			462,327	539,164
			6,682,757	2,979,461

JSC Halyk Bank of Kazakhstan

On 24 February 2010, the Group entered into a credit line agreement No.3 in JSC Halyk Bank of Kazakhstan to replenish working capital of 300,000 thousand tenge with the interest rates of 14% to 16% depending on maturity, with the period of availability of loan funds until 24 February 2013. According to addendum agreement dated 23 February 2011, the total amount of the credit line was increased to 600,000 thousand tenge, then according to addendum agreement dated 22 April 2011, the total amount of the credit line was increased to 900,000 thousand tenge. Principal amount and interests are paid monthly.

Also, on 13 October 2010, the Group entered into a credit line agreement No.22 in JSC Halyk Bank of Kazakhstan for investment in long-term assets of the Company of 80,974 thousand tenge for a period up to 13 October 2015 with the interest rate of 14%. Part of the interest on these loans at a rate of 7% are subsidized by the JSC Entrepreneurship Development Fund Damu as part of the state program Road Map 2020. The subsidy contracts have been concluded up to the expiry of the loan contracts. These loans are measured at fair value on the date of signing of the subsidy contracts (22 October 2010). Principal amount and interests are paid monthly. As at 31 December 2011, the Group recognized a fair value adjustment to the loans of 13,717 thousand tenge and recorded as a deferred income. As at 31 December 2012, the Group restored the fair value adjustment due to Company's Management board decision dated 28 December 2012 on advanced repayment of the loan.

On 10 February 2012, the Group entered into credit line agreement No.2 with JSC Halyk Bank of Kazakhstan with amount of 900,000 thousand tenge for replenishment of working capital for acquisition of equipment, commissioning works, supply of equipment and other expenditures associated with this equipment. The interest rate is from 8% to 8.3%. Principal amount and interests are paid monthly.

JSC BTA Bank

On 25 May 2010 and 31 May 2010 the Group entered into bank loans agreements with JSC BTA Bank for investment in long-term assets of the Group totaling 264,475 thousand tenge, for a period up to 31 May 2015 and the interest rate of 8% per annum. Principal amount and interest on loans paid monthly.

Part of the interest on these loans at a rate of 7% are subsidized by the JSC Entrepreneurship Development Fund Damu as part of the state program Road Map 2020. The subsidy contracts have been concluded up to the expiry of the loan contracts. These loans are measured at fair value on the date of signing of the subsidy contracts (19 January 2011). As at 31 December 2011, the Group recognized a fair value adjustment to the loans of 20,437 thousand tenge and recorded as a deferred income (Notes 22 and 25), which will be recognised in profit and loss on a systematic basis over the period of the loan agreement. In 2012, the Group recognised amortization of the fair value adjustment of 3,799 thousand tenge in other income and expenses (2011: 11,868 thousand tenge) and restored the adjustment of 3,227 thousand tenge. Thus, as at 31 December 2012, fair value adjustment of 13,411 thousand tenge is recorded as a deferred income (Notes 22 and 25).

On 17 August 2011, the Group signed a general agreement with JSC BTA Bank with tranches maturities up to 18 months with the credit limit of 850,000 thousand tenge, with the final settlement date in January 2015. Out of the total credit limit amount, 750,000 thousand tenge are financed by JSC Entrepreneurship Development Fund Damu. Principal amount is paid quarterly and interest on loans paid monthly.

On 18 December 2011, the Group entered into bank loan agreement with JSC BTA Bank for investment in long-term assets of the Group of 91,198 thousand tenge, with a maturity of up to 18 September 2016 and the interest rate of 12.25% per annum. Principal amount and interest on loans are paid monthly.

JSC Temir Bank

In 2011, the Group entered into a general bank loan agreement with JSC Temir Bank of 900,000 thousand tenge with a maturity of up to 7 April 2013 and the interest rate of 14%. Interests on the loan are paid monthly. During 2012, the Group fully repaid this loan.

JSC Eurasian Bank

In 2010-2011, the Group entered into general loan agreements with JSC Eurasian Bank. The interest rate on these loans ranged from 13% to 14.25%. During 2012, the Group fully repaid the loan to JSC Eurasian Bank.

As at 31 December 2012 и 2011, property, plant and equipment with carrying value of 1,708,249 thousand tenge and 2,449,376 thousand tenge, respectively, were pledged as collateral for above mentioned loans (Note 6).

JSC SWF Samruk-Kazyna

During 2008, the Company received an interest-free loan from the Shareholder for business development of 250,045 thousand tenge with maturity till 31 December 2012. The Company measured the fair value of these loans using the effective interest rate of 16.1%, and recognised a fair value adjustment of 117,779 thousand tenge, net of tax effect of 23,556 thousand tenge as additional paid-in capital in the consolidated statement of changes in equity. For the years ended 31 December 2012 and 2011, amortisation of discount of 22,218 thousand tenge and 30,002 thousand tenge, respectively, was recognized as finance costs (Note 32).

On 15 February 2012, the Company received a loan from Shareholder of 5,000,000 thousand tenge with annual interest rate of 3% with maturity till 30 December 2013. Principal amount is paid at maturity date and interests are paid monthly.

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

The Company measured the fair value of this loan using the effective interest rate of 7%, and recognised a fair value adjustment of 275,583 thousand tenge, net of tax effect of 55,117 thousand tenge as additional paid-in capital in the consolidated statement of changes in equity. For the year ended 31 December 2012, amortisation of discount of 168,816 thousand tenge was recognized as finance costs (Note 32).

As at 31 December 2012 and 2011, all loans are denominated in tenge.

Loans repayment is made in the following terms:

	31 December 2011	31 December 2011
Within one year	6,220,430	2,440,297
Within second year	307,017	383,288
Within third year	101,568	101,095
In subsequent years	53,742	54,781
	6,682,757	2,979,461

20. DEBT SECURITIES ISSUED

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

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

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

21. FINANCE LEASE OBLIGATIONS

	Minimal lease payments		Present value of minimum lease payments	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Less than one year	410,571	162,787	345,031	152,792
From one to five years	1,461,767	605,497	1,074,546	479,222
More than five years	406,124	-	341,297	
	2,278,462	768,284	1,760,874	632,014
Less future finance costs	(517,588)	(136,270)	-	-
	1,760,874	632,014	1,760,874	632,014
Recognised in:				
- current liabilities			345,031	152,792
- non-current liabilities			1,415,843	479,222
			1,760,874	632,014

In 2007, the Group entered into finance lease agreement for production equipment with JSC DBK-Leasing for 10 years at an interest rate of 8%. The collateral for this agreement is obtained equipment.

Under this agreement the Group should make payment of principal and interest in the tenge, which are indexed to the exchange rate of US dollar at the payment date. The Group believes that this indexation is an embedded derivative that is not directly related to the host contract of the lease and, therefore, requires separate recognition. To determine the fair value of embedded derivative financial instruments the Group uses assessment methods that are widely used in the market and which require the use of market data. As at 31 December 2012, an embedded derivative amounted to 204,370 thousand tenge (31 December 2011: 183,230 thousand tenge). For the year ended 31 December 2012, the Group recognized a fair value adjustment of 21,140 thousand tenge to the embedded derivative as loss (2010: 28,417 thousand tenge).

In 2011, the Group entered into finance lease agreement for production equipment with JSC DBK-Leasing for 10 years at an interest rate of 7.5% and made an advance payment under this agreement. In October 2012, equipment and its assembling parts were received under the lease agreement of 1,240,676 thousand tenge. The collateral for this agreement is obtained equipment.

Finance lease obligations are denominated in tenge.

22. OTHER NON-CURRENT LIABILITIES

	31 December 2012	31 December 2011
Long-term advances received	145,393	717,400
Dividends payable to Shareholder (Notes 16 and 37)	-	66,000
Other long-term payables to third parties	25,974	2,745
Deferred income – government grants (Note 19)	10,673	21,757
Other deferred income	-	3,451
Provisions	36,176	54,956
	218,216	866,309

As at 31 December 2012, provisions include accrued expenses on warranty services of 10,891 thousand tenge and other accrued expenses for settlement of harm to employees and other remunerations of 25,285 thousand tenge (2011: 54,956 thousand tenge and nil tenge, respectively).

Other non-current liabilities are denominated in tenge.

23. TRADE ACCOUNTS PAYABLE

	31 December 2012	31 December 2011
Accounts payable to suppliers and contractors	1,700,339	668,188
Accounts payable to related parties (Note 37)	2,211,214	51,743
	3,911,553	719,931

Trade accounts payable are donomiated in the following currencies:

	31 December 2012	31 December 2011
Tenge	2,916,702	649,408
US dollars	602,070	69,110
Russian roubles	392,781	1,413
	3,911,553	719,931

24. OTHER TAXES PAYABLE

	31 December 2012	31 December 2011
VAT payable	1,112,089	713,924
Pension and social contributions	147,283	129,086
Personal income tax	88,953	90,055
Social tax	70,359	60,850
Other taxes	8,523	30,500
	1,427,207	1,024,415

25. OTHER CURRENT LIABILITIES

	31 December 2012	31 December 2011
Advances received from third parties	2,212,986	1,731,641
Advances received from related parties (Note 37)	863,358	142,732
Provisions	1,442,097	774,791
Dividends payable to third parties	179,583	87,728
Dividends payable to Shareholder (Notes 16 and 37)	66,000	50,000
Salary payable	236,877	128,513
Deferred income – government grants (Note 19)	2,738	12,397
Other deferred income	6,325	240
Other payables	183,526	5,613
	5,193,490	2,933,655

As at 31 December 2012, provisions include accrued expenses on warranty services of 532,549 thousand tenge (2011: 117,448 thousand tenge), unused vacation of 788,256 thousand tenge (2011: 263,814 thousand tenge) and other accrued expenses of 121,292 thousand tenge (2011: 392,529 thousand tenge).

Other current liabilities are denominated in tenge.

26. REVENUE

	2012	2011
Revenue from finished goods sale	42,372,771	28,964,924
Revenue from rendering services	9,780,843	4,655,063
Other	-	3,207
	52,153,614	33,623,194

In 2012, revenue from related party operations amounted to 43,256,129 thousand tenge (2011: 26,220,456 thousand tenge) (Note 37).

27. COST OF SALES

	2012	2011
Raw materials	32,499,723	22,275,560
Payroll and related taxes	6,199,214	3,623,141
Subcontractors' services	1,327,019	2,208,973
Depreciation and amortisation	505,444	519,858
Utilities	516,227	409,198
Repair and maintenance	1,700,627	177,626
Other	797,926	420,890
	43,546,180	29,635,246
Work-in-progress at the beginning of the year	3,305,142	2,181,718
Work-in-progress at the end of the year (Note 10)	3,499,630	3,305,142
Change in work-in-progress	(194,488)	(1,123,424)
Finished goods at the beginning of the year	2,142,640	1,853,541
Finished goods at the end of the year (Note 10)	2,101,415	2,142,640
Change in finished goods	41,225	(289,099)
	43,392,917	28,222,723

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Payroll and related taxes	2,058,890	1,372,912
Taxes	235,419	217,931
Professional services	123,025	164,606
Fines and penalties	32,691	155,041
Depreciation and amortisation	136,828	111,610
Business trips and representative expenses	190,032	107,224
Accrual of provision for employees remuneration	6,452	69,000
Utilities	116,083	63,810
Bank commissions	73,021	60,402
Repair and maintenance	19,290	59,906
Rent expenses	124,727	58,473
Accrual of provision for unused vacation	82,356	56,327
(Recovery)/accrual of allowance for obsolete inventories (Note 10)	(56,046)	56,078
Communication	27,799	30,963
Materials	34,239	27,848
Transportation	16,861	25,797
Education of personnel	22,657	18,586
Charity and sponsorship	16,817	12,502
Security	20,422	12,121
Accrual/(recovery) of allowance for doubtful debts (Notes 11 и 14)	32,936	(38,304)
Other	492,928	212,825
	3,807,427	2,855,658

29. SELLING EXPENSES

	2012	2011
Transportation	236,610	200,234
Payroll and related taxes	223,121	112,957
Integration expenses	-	103,075
VAT non-recoverable	153,611	61,275
Business trips	85,033	51,947
Advertising and marketing	77,705	14,241
Depreciation and amortization	13,664	13,392
Utilities	5,813	2,609
Other	46,292	80,754
	841,849	640,484

30. OTHER PROFIT AND LOSSES

	2012	2011
Gain from disposal of property, plant and equipment	569,199	393,710
Income from inventory sale	65,342	152,845
Rent income	93,021	47,969
Loss from impairment of property, plant and equipment	-	(24,925)
Depreciation and amortization	(3,954)	(1,685)
Loss on disposal of intangible assets	(36,255)	(46)
Charity	(54,560)	(12,502)
Other losses	(14,628)	(52,836)
	618,165	502,530

31. FINANCE INCOME

	2012	2011
Interest on short-term deposits and current accounts	268,219	71,637
Amortisation of fair value adjustment on loans given	46,599	7,894
	314,818	79,531

Finance income on short-term deposits and current accounts from related parties amounted to 7,033 thousand tenge (2011: 21,887 thousand tenge) (Note 37).

32. FINANCE COSTS

	2012	2011
Interest on loans	406,462	280,462
Coupon on bonds issued (Note 20)	34,005	-
Interest on finance lease	128,506	68,540
Amortisation of fair value adjustment on loans received from Shareholder (Note 19)	191,034	30,002
Amortisation of discount on bonds issued	9,924	-
Dividends on preferred shares	20,955	10,854
	790,886	389,858

Finance costs from related parties amounted to 588,594 thousand tenge (2011: 218,764 thousand tenge) (Note 37).

33. TAXATION

	2012	2011
Current income tax expense	813,667	524,519
Adjustment of current income tax for prior years	-	92,194
Deferred tax benefit	(143,300)	(34,784)
Income tax expense	670,367	581,929

A reconciliation of expected income tax expense at income tax rate of 20% per financial statements with tax accounting is presented below:

	2012	2011
Profit before income tax from continuing operations	5,208,333	2,846,016
Theoretical income tax at official tax rate of 20%	1,041,667	569,203
Tax effect of permanent differences	(171,855)	66,037
Adjustment of current income tax for prior years	-	92,194
Share of profit in associates and joint ventures not taxable	(199,445)	(145,505)
	670,367	581,929

Below is the tax effect on major temporary differences, which cause the deferred tax assets and liabilities as at 31 December 2012 и 2011:

	At 31 December 2011	Recognised in profit and loss	Recognised in equity	Disposal of subsidiary	At 31 December 2012
Property, plant and equipment	(877,283)	(25,171)	-	-	(902,454)
Trade accounts receivable	8,826	11,103	-	-	19,929
Inventory	72,849	(11,208)	-	-	61,641
Provisions	165,949	132,065	-	-	298,014
Taxes payable	18,270	(2,676)	-	-	15,594
Financial liability at fair value through profit or loss	36,646	4,228	-	-	40,874
Loans received	-	33,764	(55,117)	-	(21,353)
Loans given	-	6,362	-	-	6,362
Tax losses carried forward	64,375	(5,167)	-	(3,773)	55,435
	(510,368)	143,300	(55,117)	(3,773)	(425,958)

	At 1 January 2011	Recognised in profit and loss	At 31 December 2011
Property, plant and equipment	(850,984)	(26,299)	(877,283)
Trade accounts receivable	7,264	1,562	8,826
Inventory	64,308	8,541	72,849
Provisions	36,562	129,387	165,949
Taxes payable	10,040	8,230	18,270
Financial liability at fair value through profit or loss	30,963	5,683	36,646
Tax losses carried forward	156,695	(92,320)	64,375
	(545,152)	34,784	(510,368)

34. DISPOSAL OF SUBSIDIARY

On 1 October 2012, the Company sold its 51% ownership interest in Kazakhstan engineering Distribution LLP.

	31 December 2012
Consideration received	
Consideration received in cash	8,507
Total Consideration received	8,507
Asset and liabilities of disposed subsidiary	
Current assets:	
Cash and cash equivalents	71
Inventory	687
Accounts receivable	5,653
Prepaid income tax	287
Other current assets	7,329
Non-current assets:	
Property, plant and equipment	7,303
Intangible assets	76
Deferred tax assets	3,773
Current liabilities:	
Accounts payable	(14,874)
Taxes payable and other obligatory payments	(15,897)
Other current liabilities	(25,277)
Net liabilities disposed	(30,869)
Gain on disposal of a subsidiary	
Consideration received	8,507
Net liabilities disposed of	30,869
Investment in associate at loss of control	955
Gain on disposal	40,331

	2012
Profit/(loss) from discontinued operations	
Revenue	246,158
Other income	3,638
	249,796
Expenses	(269,559)
Loss before income tax	(19,763)
Income tax benefit	12
Net loss for the period	(19,751)
Gain on disposal	40,331
Profit for the year from discontinued operations	20,580

35. CONTINGENT LIABILITIES

Taxation and regulatory environment

Currently, there are a number of Kazakhstani laws relating to various taxes imposed by both national and regional authorities. Laws related to these taxes have not acted for a considerable time compared to more developed markets, so the application of their provisions are often not clear or is not developed. Accordingly, few precedents have been established in respect of tax matters, and there are different views on the legal interpretation of the laws. In accordance with legislation, tax authorities may impose substantial fines and penalties for late or incorrect filing of tax returns and/or tax payments. These factors create tax risks in Kazakhstane more significant than in countries with more developed tax systems.

Legal matters

The Group is the subject to claims and court trials from time to time, which individually or in aggregate did not affect the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's financial position or future operating results.

Environmental matters

Management of the Group believes that it is currently in compliance with all environmental laws and regulations existing in Kazakhstan and does not have liabilities arising from environmental matters. Therefore, no provision for potential losses has been made in these consolidated financial statements.

Insurance

The Group has not insured its production assets, or provided for the 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 consolidated financial statements as at 31 December 2012.

Market limitation

One of the Group's main operating activities is the development, production and sale of military equipment. The Group's activities are strategic for the Republic of Kazakhstan and require licensing and approval by the Government, which is why the market for the products of the Group is limited.

Capital commitments

As at 31 December 2012 and 2011, the Group has number of commitments for acquisition of property, plant and equipment of 700,371 thousand tenge and 89,052 thousand tenge, respectively.

36. FINANCIAL INSTRUMENTS, OBJECTIVES AND FINANCIAL RISK MANAGEMENT POLICIES

Group's principal financial instruments comprise loans, cash and short-term deposits and accounts receivable and accounts payable. The main risk for the Group's financial instruments is credit risk. The Group also monitors the market risk and liquidity risk arising from all financial instruments.

Capital adequacy management

The Group manages its capital adequacy, to ensure that the Group will continue to work as a going concern while maximizing profits for the Shareholder through the optimization of the balance of debt and equity. Structure of the Group's equity includes charter capital, additional paid-in capital and retained earnings.

Significant accounting policies

Information about significant accounting policies and methods adopted, including criteria for recognition, the basis for measurement and the basis on which income and expenses are recognized in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 3 to the consolidated financial statements.

Financial risk management objectives

Risk management is an important element of the Group's activity. The Company monitors and manages the financial risks relating to operations of the Group through internal risk reports which analyze the degree of exposure to risk and magnitude of risks. These risks include market risk (including currency risk, interest rate risk in respect of fair value and price risk), liquidity risk and interest rate risk on cash flows. The following is a description of the Group's risk management policies.

Interest rate risk

The risk associated with interest rates for the Group is a risk of changes in market interest rates, which may reduce the overall return on investment and increase the outflow of money for loans of the Group. This risk is not significant to the Group, since the interest financial assets and liabilities include fixed interest rates.

Currency risk

The amounts of short-and long-term liabilities of the Group denominated in foreign currencies are presented in tenge in the consolidated financial statements. As a result of exchange rate of the tenge against the foreign currency gain or loss arises from exchange rate differences. Foreign currency risk is not significant for the Group as financial assets and liabilities are mainly denominated in tenge.

Credit risk

Credit risk arising from non-performing contract terms with the Group's financial instruments by counterparty is usually limited to the amounts, if any, to which the value of counterparties' liabilities exceeds the liabilities of the Group to the contractors. The Group's policy provides for the performance of transactions with financial instruments with a number of creditworthy counterparties. The maximum value of the exposure to credit risk is the carrying amount of each financial asset. The Group believes that the maximum risk is the sum of its trade receivables (Note 11) and other current assets (Note 14), less allowance for doubtful accounts reflected at the reporting date.

Concentration of credit risk can arise when there are multiple amounts owed by a borrower or a group of borrowers with similar conditions for which there is reason to expect that changes in economic conditions or other circumstances may equally affect their ability to fulfill its obligations.

The maximum exposure to credit risk for trade receivables at the reporting date, and by geographic regions was as follows:

	31 December 2012	31 December 2011
Within the country	1,806,440	1,158,227
Outside the country	10,609	1,115
	1,817,049	1,159,342

The Group has a policy, providing continuous monitoring to ensure that transactions concluded with customers who have an adequate credit history and do not exceed credit limits. Credit risk is reduced, due to the fact that the group works with the majority of their customers on the basis of prepayment issued by a bank guarantee against the return of the advance payment.

The Group does not act as a guarantor for the obligations of third parties.

As at 31 December 2012 and 2011, distribution of trade receivables by ageing was as follows:

	31 December 2012	31 December 2011
Not overdue	1,762,336	599,927
Overdue by 3-6 months	54,713	487,744
Overdue by 6-12 months	-	71,671
Overdue by more than 12 months	45,542	44,132
	1,862,591	1,203,474

Market risk

Market risk is where the possible fluctuations in the value of a financial instrument due to changes in market prices. The Group manages market risk through periodic estimation of potential losses that may occur due to adverse changes in market conditions.

Liquidity risk

The Group monitors the liquidity risk of short-term, medium-and long-term financing in accordance with the requirements of the Shareholder. The Group manages liquidity risk by maintaining adequate reserves, bank loans and available credit lines by continuously monitoring forecast and actual cash flows and comparing the maturity of financial assets and liabilities.

The following tables reflect the contractual terms of the Group for its non-derivative financial liabilities. The table was compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes the cash flows as interest and principal payments.

	Interest	1-6 months	6 months – 1 year	1-5 years	More than 5 years	Total
2012						
Non-interest bearing:						
Trade accounts payable	-	3,911,553	-	-	-	3,911,553
Other liabilities	-	302,877	363,109	25,974	205,072	897,032
Interest bearing:						
Loans	8%-16%	168,743	5,650,482	1,549,518	-	7,368,743
Issued bonds	5%	113,350	113,350	4,987,400	-	5,214,100
Finance lease	7.5%-8%	33,056	377,515	1,461,767	406,124	2,278,462

	Interest	1-6 months	6 months – 1 year	1-5 years	More than 5 years	Total
2011						
Non-interest bearing:						
Trade accounts payable	-	719,931	-	-	-	719,931
Other liabilities	-	134,126	137,728	68,745	197,846	538,445
Interest bearing:						
Loans	8%-14%	1,527,130	1,101,142	573,745	-	3,202,017
Finance lease	8%	81,394	81,394	605,496	-	768,284

The following table reflects the expected maturity of non-derivative financial assets of the Group. The table was compiled based on the undiscounted contractual maturity of financial assets, including interest, to be received on these assets, unless the Group expects that cash flows will happen in another period.

	Interest rate	1 month – 1 year	1-5 years	More than 5 years	Unknown period	Total
2012						
Interest bearing:						
Short-term deposits	3.8%-6%	934,906	-	-	-	934,906
Finance lease receivables	-	-	-	-	157,638	157,638
Non-interest bearing:						
Cash and cash equivalents, less petty cash	-	9,174,840	-	-	-	9,174,840
Restricted cash	-	87,062	-	-	-	87,062
Trade accounts receivable	-	1,817,049			45,542	1,862,591
Other assets	-	2,735,531	68,952	-	56,620	2,861,103

	Процентная ставка	1 месяц – 1 год	1-5 лет	Свыше 5 лет	Неопределенный срок погашения	Итого
2011						-
Interest bearing:						-
Short-term deposits	4%-5%	81,005	-	-	-	81,005
Finance lease receivables	-	12,893	2,788	-	-	15,681
Non-interest bearing:						
Cash and cash equivalents, less petty cash	-	3,373,076	-	-	-	3,373,076
Restricted cash	-	82,391	-	-	-	82,391
Trade accounts receivable	-	1,159,342	-	-	44,132	1,203,474
Other assets	-	514,016	29,670	-	18,347	562,033

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties on commercial terms, except in situations of forced implementation or implementation of the liquidation. Since most of the Group's financial instruments are with no existing market mechanisms available to determine fair value, assumptions based on current economic conditions and specific risks inherent in the instrument should be used for fair value measurement.

The following methods and assumptions used by the Group to calculate the fair value of financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to short-term maturity of these financial instruments.

Trade and other accounts receivable and payable

For assets and liabilities with a maturity of less than twelve months, the carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

Loans

The calculation in respect of bank loans was made by discounting the expected future cash flows on certain loan over the estimated repayment period using the market rates prevailing at the end of that year on loans with similar maturities and credit ratings parameters.

As at 31 December 2012 and 2011, fair value of financial assets and financial liabilities did not differ significantly from their carrying value.

37. RELATED PARTY TRANSACTIONS

Related parties include associates and subsidiaries of the Company and the sole Shareholder of the Group, as well as branches and subsidiaries of the sole Shareholder of the Group, including state owned profit oriented companies.

Transactions with related parties undertaken by the Group for the years ended 31 December 2012 and 2011, were mainly conducted in the ordinary course of business and on arm's-length terms equivalent to those that prevail in transactions between independent parties.

Trade accounts receivable (Note 11)

	2012	2011
JSC NC Kazakhstan Temir Zholy	599,216	398,909
JSC NC KazMunaiGas	19,957	224,657
LLP Repair Corporation Kamkor	126,615	-
JSC NAC Kazatomprom	2,351	-
Other	657	270
	748,796	623,836

Dividends receivable (Note 14)

	2012	2011
JSC ZIKSTO	71,592	-

Trade accounts payable (Note 23)

	2012	2011
Eurocopter Kazakhstan engineering LLP	2,180,952	-
JSC NC Kazakhstan Temir Zholy	23,278	28,404
JSC NC KazMunaiGas	30	-
JSC Samruk Energy	4,697	21,286
Other	2,257	2,053
	2,211,214	51,743

Advances given (Notes 9 and 14)

	2012	2011
JSC Development Bank of Kazakhstan	-	223,852
JSC NC KazMunaiGas	12,568	10,910
Other	8,238	2,074
	20,806	236,836

Loans given (Note 14)

	2012	2011
Kazakhstan ASELSAN engineering LLP	2,200,000	50,000
Less fair value adjustment	(31,810)	(5,418)
	2,168,190	44,582

In September 2011, the Group provided interest-free loans to jointly controlled company, Kazakhstan ASELSAN engineering LLP, in the amount of 250,000 thousand tenge and 50,000 thousand tenge with a maturity of 30 November 2011 and 31 December 2012, respectively. The Group has assessed these loans at amortized cost using the market interest rate of 11.5% per annum on the date of issuance of the loans and recorded a fair value adjustment in the investments in associates in the amount of 10,436 thousand tenge. Also, during 2011, the Group recognized amortization of discount in finance income in the amount of 7,627 thousand tenge (Note 31). Loan in the amount of 250,000 thousand tenge was repaid in December 2011, and the loan in the amount of 50,000 thousand tenge was repaid in December 2012

In 2012, the Group issued interest-free loans to jointly controlled companies Kazakhstan ASELSAN engineering LLP, for a total amount of 2,200,000 thousand tenge with a maturity of 31 March 2013. The Group has assessed these loans at amortized cost using the market interest rate of 7% per annum on the date of issuance of the loans and recorded a fair value adjustment in the investments in associates in the amount of 72,991 thousand tenge. Also, during 2012, the Group recognized amortization of discount in finance income in the amount of 41,182 thousand tenge (Note 31).

Cash and cash equivalents and restricted cash

	2012	2011
JSC BTA Bank (cash and cash equivalents)	6,098,287	2,946,204
JSC Temir Bank (cash and cash equivalents)	73,320	160,140
JSC Alliance Bank (cash and cash equivalents)	6,706	132
JSC BTA Bank (restricted cash)	80,947	79,701
	6,259,260	3,186,177

Loans received (Note 19)

	2012	2011
JSC BTA Bank	853,913	1,143,329
JSC Temir Bank	-	728,807
JSC SWF Samruk-Kazyna	5,017,084	150,045
Less fair value adjustment	(106,767)	(22,218)
	5,764,230	1,999,963

Advanced received (Note 25)

	2012	2011
JSC NC Kazakhstan Temir Zholy	7,602	97,795
JSC NC KazMunaiGas	855,605	44,937
Other	151	-
	863,358	142,732

Dividends payable to Shareholder (Notes 16, 22 and 25)

	2012	2011
Accrued for the period	693,205	116,000
Liability at reporting date	66,000	116,000

Revenue (Note 26)

	2012	2011
Ministries and agencies	32,279,127	17,925,532
JSC NC KazMunaiGas	5,794,747	3,450,671
JSC NC Kazakhstan Temir Zholy	4,693,805	3,989,016
JSC NAC Kazatomprom	118,543	801,118
JSC Kazpost	-	50,000
LLP Repair Corporation Kamkor	362,078	-
Other	7,829	4,119
	43,256,129	26,220,456

Expenditures on services rendered and goods acquired

	2012	2011
Eurocopter Kazakhstan engineering LLP	13,478,486	10,583,079
JSC Aviarepair plant No.405	573,601	-
JSC NC KazMunaiGas	42,514	16,410
JSC NC Kazakhstan Temir Zholy	204,532	213,952
JSC Samruk Energy	53,278	53,901
JSC Kazakhtelecom	5,094	5,582
LLP Repair Corporation Kamkor	-	-
Other	910	1,014
	14,358,415	10,873,938

Finance income (Note 31)

	2012	2011
JSC BTA Bank	7,033	21,887
Kazakhstan ASELSAN engineering LLP	41,181	7,894
	48,214	29,781

Finance costs (Note 32)

	2012	2011
JSC BTA Bank	55,845	54,230
JSC Temir Bank	81,542	65,992
JSC DBK Leasing	128,506	68,540
JSC SWF Samruk-Kazyna (interests and amortization of discount)	322,701	30,002
	588,594	218,764

For the years ended 31 December 2012 and 2011, compensation to key management personnel amounted to 225,051 thousand tenge and 134,735 thousand tenge, respectively.

38. EVENTS AFTER REPORTING DATE

On 3 January 2013, the Group repaid a loan from JSC Halyk Bank of Kazakhstan of 910,600 thousand tenge.

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

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

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