JSC NATIONAL COMPANY KAZAKHSTAN ENGINEERING AND ITS SUBSIDIARIES

Consolidated financial statements
for the year ended 31 December 2011

CONTENT

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

Management of JSC National Company Kazakhstan Engineering (the "Company") and its subsidiaries (hereinafter – the "Group") is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position as at 31 December 2011, 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 legislation and accounting standards 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 2011 were approved and authorized for issue by management of JSC National Company Kazakhstan Engineering on 30 July 2012.

Signed on behalf of management of the Group

Aliya Zhetenova **Managing Director**	**Bolat Mukushev** **Director of corporate finance and accounting department**

30 July 2012
Astana, Kazakhstan

Deloitte.

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

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

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 (the "Company") and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, 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 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements for the year ended 31 December 2010 were audited by another auditor, who expressed a qualified opinion on those consolidated financial statements dated 29 July 2011 in respect of a) property, plant and equipment and inventory due to non-observing the physical counting of the property, plant and equipment and inventories as at 31 December 2010, b) property, plant and equipment due to non-performing impairment test, c) investments in associates and joint ventures due to nonprovision of the audited financial statements of these companies. As part of our audit of the consolidated financial statements for the year ended 31 December 2011, we audited the adjustments and reclassifications described in Note 5 that were applied to amend the consolidated financial statements for the year ended 31 December 2010. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Group's consolidated financial statements for the year ended 31 December 2010 other than with respect to the adjustments and reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended 31 December 2010 taken as a whole, on which an opinion was given by predecessor auditor.

Deloitte, LLP

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

30 July 2012
Almaty, Kazakhstan

CONSOLIDATED STATEMENT OF FINANCIAL POSTITION
AS AT 31 DECEMBER 2011
(in thousands of tenge)

	Notes	31 December 2011	31 December 2010 (restated*)	1 January 2010 (restated*)
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	6	7,298,784	7,645,803	7,770,138
Investment property		54,753	-	-
Intangible assets		164,779	158,480	153,906
Long-term investments		4,417	5,491	5,491
Investments in associates and joint-ventures	7	3,516,279	1,532,753	1,055,899
Deferred tax assets	29	132,567	79,264	29,428
Other non-current assets	8	342,252	108,304	31,223
Total non-current assets		11,513,831	9,530,095	9,046,085
CURRENT ASSETS:				
Inventory	9	8,197,964	5,834,294	5,832,674
Trade accounts receivable	10	1,159,342	1,199,402	976,372
Income tax prepaid		79,156	90,021	211,835
Value added tax and other taxes recoverable	11	557,558	260,182	206,892
Restricted cash		82,391	81,844	-
Other current assets	12	2,268,510	847,677	600,547
Cash and cash equivalents	13	3,485,674	6,467,246	751,668
		15,830,595	14,780,666	8,579,988
Non-current assets classified as held-for-sale		64,004	55	55
Total current assets		15,894,599	14,780,721	8,580,043
TOTAL ASSETS		27,408,430	24,310,816	17,626,128
EQUITY AND LIABILITIES				
EQUITY:				
Charter capital	14	12,101,802	12,101,802	7,381,594
Additional paid-in-capital	15	522,835	522,835	522,835
Retained earnings		3,874,545	1,856,543	1,395,840
Equity attributable to Parent of the Company		16,499,182	14,481,180	9,300,269
Non-controlling interests	16	573,174	458,597	402,181
Total equity		17,072,356	14,939,777	9,702,450
NON-CURRENT LIABILITIES:				
Deferred tax liabilities	29	642,935	624,416	788,776
Debt component of preferred shares		197,846	182,338	173,579
Loans	17	539,164	342,724	177,250
Finance lease obligations	18	479,222	602,553	492,792
Other non-current liabilities	19	866,309	1,077,329	52,774
Total non-current liabilities		2,725,476	2,829,360	1,685,171

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

	Notes	31 December 2011	31 December 2010 (restated*)	1 January 2010 (restated*)
CURRENT ASSETS:				
Loans and current portion of long-term loans	17	2,440,297	1,480,277	1,114,324
Current portion of finance lease obligations	18	152,792	57,504	206,024
Financial liability at fair value through profit or loss	18	183,230	154,813	203,864
Trade accounts payable	20	719,931	1,403,212	1,269,103
Income tax payable		156,278	71,538	44,810
Other taxes payable	21	1,024,415	457,597	206,008
Other current liabilities	22	2,933,655	2,916,738	3,194,374
Total current liabilities		7,610,598	6,541,679	6,238,507
TOTAL EQUITY AND LIABILITIES		27,408,430	24,310,816	17,626,128

***Restated, as described in Note 5**

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director

Bolat Mukushev
Director of corporate finance and accounting department

30 July 2012
Astana, Kazakhstan

The notes on pages 10-48 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

CONSOLDIATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of tenge)

	Notes	2011	2010 (restated*)
REVENUE	23	33,623,194	15,862,029
COST OF SALES	24	(28,222,723)	(13,179,533)
GROSS PROFIT		5,400,471	2,682,496
General and administrative expenses	25	(2,855,658)	(2,059,167)
Selling expenses	26	(640,484)	(312,252)
Other profit and losses	27	502,530	41,937
Gain/(loss) from foreign exchange differences		50,374	(19,422)
Share of profit in associates and joint ventures	7	727,527	476,507
(Loss)/gain on financial liabilities at fair value through profit and loss	18	(28,417)	49,051
Finance income		79,531	26,226
Finance costs	28	(389,858)	(297,583)
PROFIT BEFORE INCOME TAX		2,846,016	587,793
INCOME TAX EXPENSE	29	(581,929)	(61,915)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,264,087	525,878
Net profit and total comprehensive income attributable to:			
Parent of the Company		2,149,510	469,462
Non-controlling interests	16	114,577	56,416
		2,264,087	525,878

***Restated, as described in Note 5**

Signed on behalf of management of the Group

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

Aliya Zhetenova
Managing Director
department

Bolat Mukushev
Director of corporate finance and accounting

30 July 2012
Astana, Kazakhstan

The notes on pages 10-48 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(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 2010 (as previously issued)		7,381,594	428,612	1,623,618	9,433,824	420,444	9,854,268
Correction of errors (Note 5)		-	94,223	(227,778)	(133,555)	(18,263)	(151,818)
At 1 January 2010 (restated*)		7,381,594	522,835	1,395,840	9,300,269	402,181	9,702,450
Net profit and total comprehensive income for the year (restated*)		-	-	469,462	469,462	56,416	525,878
Measurement of debt component of preferred shares (restated*)		-	-	(8,759)	(8,759)	-	(8,759)
Shares issuance		4,720,208	-	-	4,720,208	-	4,720,208
At 31 December 2010 (restated*)		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 paid	14	-	-	(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

***Restated, as described in Note 5**

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director

Bolat Mukushev
Director of corporate finance and accounting department

30 July 2012
Astana, Kazakhstan

The notes on pages 10-48 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of tenge)

	Notes	2011	2010 (restated*)
OPERATING ACTIVITY:			
Profit before income tax		2,846,016	587,793
Adjustments for:			
Amortisation and depreciation	24, 25, 26	644,860	598,171
Impairment of property, plant and equipment	6	24,925	160,257
Allowance for doubtful accounts	25	(38,304)	51,296
Allowance for obsolete inventories	25	56,078	(21,879)
(Gain)/loss from property, plant and equipment disposal	27	(393,664)	23,804
(Gain)/loss from foreign exchange differences		(50,374)	19,422
Loss from investments disposal		1,074	-
Share of profit in associates and joint-venture	7	(727,527)	(476,507)
Loss/(profit) on financial liabilities at fair value through profit and loss	18	28,417	(49,051)
Warranty provision		113,830	58,574
Unused vacation provision		145,423	(36,616)
Accrued expenses for delivering services		392,792	-
Other provisions		(5,109)	5,846
Finance costs	28	389,858	297,583
Cash flows from operating activity before changes in working capital		3,428,295	1,218,693
Changes in working capital:			
Change in inventory		(2,397,235)	(26,773)
Change in trade accounts receivable		31,889	(204,519)
Change in value added tax and other taxes recoverable		(297,376)	(53,290)
Change in other assets		(1,407,251)	(272,262)
Change in trade accounts payable		(632,907)	114,687
Change in taxes payable		583,074	391,715
Change in other liabilities		(1,089,175)	799,244
Cash (used in)/generated by operating activity		(1,780,686)	1,967,495
Interests paid		(357,820)	(275,687)
Income tax paid		(537,364)	(267,695)
Net cash (used in)/generated by operating activity		(2,675,870)	1,424,113
INVESTMENT ACTIVITY:			
Acquisition of property, plant and equipment	6	(717,633)	(537,589)
Acquisition of intangible assets		(22,537)	(19,255)
Advances paid for non-current assets	8	(240,249)	(24,724)
Acquisition of investments in associates and joint ventures	7	(1,319,595)	(87,261)
Short-term loans given		(307,000)	(50,000)
Repayment for short-term loans given		307,000	-
Dividends received	7	74,246	86,914
Proceeds from disposal of property, plant and equipment		692,098	114,581
Acquisition of short-term investments		(547)	(81,844)
Net cash used in investing activity		(1,534,217)	(599,178)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)
(in thousands of tenge)

	Notes	2011	2010 (restated*)
FINANCING ACTIVITY:			
Contribution to charter capital	14	-	4,500,000
Loans received		7,246,081	1,904,018
Loans repaid		(5,919,378)	(1,442,366)
Finance lease repaid		(20,373)	(65,377)
Dividends paid		(77,815)	(5,632)
Net cash generated by financing activity		1,228,515	4,890,643
CHANGE IN CASH AND CASH EQUIVALENTS, net		(2,981,572)	5,715,578
CASH AND CASH EQUIVALENTS, at the beginning of the year	13	6,467,246	751,668
ДЕНЕЖНЫЕ СРЕДСТВА И ИХ ЭКВИВАЛЕНТЫ, на конец года	13	3,485,674	6,467,246

Significant non-cash transactions:

For the years ended 31 December 2011 and 2010:

	2011	2010 (restated*)
Contribution to charter capital of the Company (Note 14)	-	220,208

***Restated, as described in Note 5**

Signed on behalf of management of the Group

Aliya Zhetenova
Managing Director department

Bolat Mukashev
Director of corporate finance and accounting

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

30 July 2012
Astana, Kazakhstan

The notes on pages 10-48 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 2011, the sole shareholder of the Company is JSC Sovereign Wealth Fund Samruk-Kazyna. From 20 July 2009 till 15 June 2010, Company's shares were under asset management with the Ministry of Industry and Trade of the Republic of Kazakhstan. On 15 June 2010, 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 2011	31 December 2010	1 January 2010
JSC 811 Motor-repair Plant KE	Repair of vehicles, armored machinery, motor assembly and power unit, modernization of equipment	Kazakhstan	100%	100%	100%
JSC 832 Motor-repair Plant KE	Repair of vehicles	Kazakhstan	100%	100%	100%
JSC Plant after Kirov	Navigation systems, radio stations, railway control console, oil and gas control units and automated machinery	Kazakhstan	84%	84%	84%
LLP Kazakhstan engineering Distribution	Distribution of Group's produced goods, investments attraction, participation in state programs and state purchases for equipment supply	Kazakhstan	100%	100%	100%
JSC Machinery plant after Kirov	Submarine weapons and hydraulics and automatics for marine ships; pneumatic perforators for extracting industry; spare parts for railway industry	Kazakhstan	98%	98%	98%
JSC Munaimash	Downhole sucker rod pumps for oil and gas sector, wide range goods	Kazakhstan	52%	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%	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%	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%	100%
JSC Semei engineering	Repair of armored military vehicles, engines, car shipping	Kazakhstan	100%	100%	100%
JSC Semipalatinsk machinery construction plant	Crawler-Transporters tractors, manhole covers for the wagons, repair of engineering equipment	Kazakhstan	99%	99%	99%
Kuzet LLP	Security	Kazakhstan	100%	100%	100%
JSC Tynys	Medical equipment, gas drive fittings, aviation products, tubes, extinguishing	Kazakhstan	99%	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%	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%	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%	100%

As at 31 December 2011 and 2010, the Group also had investments in associates and joint ventures, described in Note 7.

Legal adress: 36, Auezov str., Astana, Republic of Kazakhstan

Number of employees of the Group as at 31 December 2011 was 4,730 people (31 December 2010: 4,400 people).

The consolidated financial statements for the year ended 31 December 2011 was approved by management and authorized for issue on 30 July 2012.

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Kazakhstan and Kazakhstan's economy in general.

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

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Due to the fact that Kazakhstan produces and exports large quantities of oil and gas, the economy of Kazakhstan particularly sensitive to changes in world prices for oil and gas, which in 2011 and 2010 have been subject to considerable fluctuations.

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 1 Presentation of financial statements
- IAS 24 Related party disclosure (revised in 2010)
- IFRIC 14 Prepayments of a minimum funding requirements
- IFRIC 19 Extinguishing financial liabilities with equity
- IAS 32 Financial instruments: presentation – classification of rights issues (amendment)
- IFRS 3 Business combinations

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 appraisal. 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 some of which are substantive, but have had no material effect on amounts reported.

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

Standards and Interpretations in issue to be adopted in future periods

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

	Effective for annual periods beginning on or after
Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of financial assets	1 July 2011
IFRS 9 Financial instruments	1 January 2015
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joint Arrangements	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to IAS 12 Deferred Tax – Recovery of Underlying Assets	1 January 2012
IAS 19 (as revised in 2011) Employee Benefits	1 January 2013
IAS 27 (as revised in 2011) Separate Financial Statements	1 January 2013
IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures	1 January 2013

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

Management anticipates that all of the above five standards will be adopted in the Group's consolidated financial statements for the period commencing 1 January 2013 and that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application. However, detailed assessment of the effect of application of the abovementioned standards have not been performed yet, including quantitative assessment of changes.

Management of the Group anticipates that the adoption of all of the above other standards 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 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 which are required to be stated at fair value.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis and that there is no indicators that the Group has intention or is required to liquidate or significantly decrease its operations in the foreseeable future. This basis assumes the realization of assets and discharge of liabilities in the normal course of business of the Group within the foreseeable future.

Functional and presentation currency

These consolidated financial statements are presented in Kazakhstani tenge ("tenge"), which is the functional currency 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 with the date of their actual purchase or before 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 between Group companies, 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 owner 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. The actual (initial) cost of property, plant and equipment at 31 December 2006 was determined by an independent appraiser based on their fair value at that date. 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 held 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 from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the 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 necessary to make the sale.

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 when a group entity 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.

For financial assets measured at amortised cost, 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 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 balance sheet. 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 quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss, except for certain derivative instruments. Changes in the fair value 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.

Leasing

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

The Group as 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 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 119,992 tenge per month (2010: not more than 112,140 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.

Related party transactions

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

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:
    i) controls, is controlled by, or is under common control with the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
    ii) has an interest in the entity that gives it significant influence over the Group; or

iii) has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party provides a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

4. CRITICAL ACCOUNTING JUDGEMENTS 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

As described in Note 3, 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 2011. The differences between estimates and actually paid amounts, if any, may have a significant effect on the Group's future profits.

Финансовые обязательства по справедливой стоимости через прибыль или убыток

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. RESTATEMENT OF COMPARATIVE INFORMATION AND RECLASSIFICATIONS

In preparing the consolidated financial statements for the year ended 31 December 2011, management made a restatement of some comparative information for prior years to correct the errors of previous years in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Restatement of items of the statements of financial position, comprehensive income and cash flows is mainly associated with the following:

- The Group incorrectly recognised income from construction contracts of ships for the year ended 31 December 2010. As a result, short-term advances received, as reflected in the other current liabilities, were recognised as a revenue; VAT payable was recognised, as well as work-in-progress had been written-off to cost of sales.
- In 2008, the Company received an interest-free financial aid from the Shareholder and recorded it at face value that does not comply with IAS 39 Financial Instruments: Recognition and Measurement. In 2011, the Company made a restatement, measuring that financial aid at amortised cost and recognized a fair value adjustment, net of the deferred tax effect, to this financial aid, previously reflected as other current liabilities, in equity, as well as finance costs in the amount of amortization of the fair value adjustments.
- Certain subsidiaries of the Company have placed preferred shares. Previously, the Group did not reflect the debt component of these preferred shares. As a result of restatement, as at 1 January 2010,

the Group recorded a debt component and for the year ended 31 December 2010, additionally recognised a fair value adjustment.

- In 2007, the Group entered into finance lease agreement for production equipment with JSC DBK-Leasing for 10 years. Under this agreement, the Group should make payment of principal and interest in the Tenge, which are indexed to the exchange rate of U.S. dollar at the payment date. The Group assessed that this indexation is an embedded derivative financial instrument that is not directly associated with the host contract of the lease and, therefore, require separate recognition. As a result, as at 1 January 2010 and for the year ended 31 December 2010, the Group recorded a fair value adjustment.
- Taking into consideration the above stated adjustments, the Group also restated deferred taxes as at 1 January and 31 December 2010, and income tax expense for the year ended 31 December 2010.
- The Group also made other reclassifications which affected previously stated amounts of current and non-current assets and liabilities.

In addition, during the preparation of financial statements for the year ended 31 December 2011, management has made some changes to the classification and grouping of comparative information for the previous year to bring it into conformity with the classification and grouping of the financial statements for the current year.

The effect of restatement of comparative information is as follows:

Statement of financial position as at 31 December 2010	**As previously reported**	**Adjustments**	**Restated**	**Reclassifi-cations**	**Reclassified**
Non-current assets					
Property, plant and equipment	7,451,427	26,828	7,478,255	167,548	7,645,803
Intangible assets	100,903	-	100,903	57,577	158,480
Investments in associates	1,339,656	(19,290)	1,320,366	(1,320,366)	-
Investments in joint-ventures	212,387	-	212,387	(212,387)	-
Investments in associates and joint-ventures	-	-	-	1,532,753	1,532,753
Other long-term receivables	94,125	-	94,125	(94,125)	-
Other non-current assets	167,548	71,756	239,304	(131,000)	108,304
Deferred tax assets	43,799	35,465	79,264	-	79,264
Total non-current assets	9,415,336	114,759	9,530,095	-	9,530,095
Current assets					
Inventory	6,260,970	(426,676)	5,834,294	-	5,834,294
Other receivables	908,154	(75,665)	832,489	(832,489)	-
Restricted cash	-	-	-	81,844	81,844
Other current assets	-	-	-	847,677	847,677
Cash and cash equivalents	6,550,890	-	6,550,890	(83,644)	6,467,246
Current portion of finance lease receivable	13,388	-	13,388	(13,388)	-
Total current assets	15,283,062	(502,341)	14,780,721	-	14,780,721
TOTAL ASSETS	24,698,398	(387,582)	24,310,816	-	24,310,816
Equity					
Additional paid-in capital	428,612	94,223	522,835	-	522,835
Retained earnings	1,945,965	(89,422)	1,856,543	-	1,856,543
Equity attributable to Parent of the Company	14,476,379	4,801	14,481,180	-	14,481,180
Non-controlling interests	476,860	(18,263)	458,597		458,597
Total equity	14,953,239	(13,462)	14,939,777	-	14,939,777
Non-current liabilities					
Loans	248,096	33,931	282,027	60,697	342,724
Finance lease obligations	461,393	141,160	602,553	-	602,553
Debt component of preferred shares	-	182,338	182,338	-	182,338
Deferred tax liabilities	819,806	(195,390)	624,416	-	624,416
Provisions	25,336	10,725	36,061	(36,061)	-
Other non-current liabilities	1,116,187	(14,222)	1,101,965	(24,636)	1,077,329
Total non-current liabilities	2,670,818	158,542	2,829,360	-	2,829,360

Statement of financial position as at 31 December 2010	As previously reported	Adjustments	Restated	Reclassifi-cations	Reclassified
Current liabilities					
Loans and current portion of long-term loans	1,347,566	3,887	1,351,453	128,824	1,480,277
Current portion of finance lease obligations	198,664	(141,160)	57,504	-	57,504
Financial liability at fair value through profit or loss	-	154,813	154,813	-	154,813
Trade accounts payable	1,419,746	(16,534)	1,403,212	-	1,403,212
Taxes payable	404,964	52,633	457,597	-	457,597
Provisions	33,238	38,831	72,069	(72,069)	-
Other current liabilities	3,598,625	(625,132)	2,973,493	(56,755)	2,916,738
Total current liabilities	7,074,341	(532,662)	6,541,679	-	6,541,679
TOTAL EQUITY AND LIABILITIES	24,698,398	(387,582)	24,310,816	-	24,310,816

Statement of comprehensive income for the year ended 31 December 2010	As previously reported	Adjustments	Restated	Reclassifi-cations	Reclassified
REVENUE	15,423,422	438,607	15,862,029	-	15,862,029
COST OF SALES	(12,704,120)	(420,627)	(13,124,747)	(54,786)	(13,179,533)
GROSS PROFIT	2,719,302	17,980	2,737,282	(54,786)	2,682,496
General and administrative expenses	(2,056,754)	(2,413)	(2,059,167)		(2,059,167)
Selling expenses	(367,038)	-	(367,038)	54,786	(312,252)
Finance costs	(259,322)	(38,261)	(297,583)	-	(297,583)
Profit on financial liabilities at fair value through profit and loss	-	49,051	49,051	-	49,051
Share of profit in associates	403,644	(52,188)	351,456	(351,456)	-
Share of profit in joint ventures	125,051	-	125,051	(125,051)	-
Share of profit in associates and joint ventures	-	-	-	476,507	476,507
Profit before income tax	613,624	(25,831)	587,793	-	587,793
Income tax expense	(234,861)	172,946	(61,915)	-	(61,915)
Net profit and total comprehensive income for the year	378,763	147,115	525,878	-	525,878
Attributable to Parent of the Company	322,347	147,115	469,462	-	469,462
Non-controlling interests	56,416	-	56,416	-	56,416
	378,763	147,115	525,878	-	525,878

Statement of financial position as at 1 January 2010	As previously reported	Adjustments	Restated	Reclassifi-cations	Reclassified
Non-current assets					
Property, plant and equipment	7,592,995	26,828	7,619,823	150,315	7,770,138
Intangible assets	96,329	-	96,329	57,577	153,906
Investments in associates	1,022,926	32,898	1,055,824	(1,055,824)	-
Investments in joint-ventures	75	-	75	(75)	-
Investments in associates and joint-ventures	-	-	-	1,055,899	1,055,899
Other long-term receivables	75,412	-	75,412	(75,412)	-
Other non-current assets	150,315	-	150,315	(119,092)	31,223
Long-term portion of finance lease receivable	13,388	-	13,388	(13,388)	-
Total non-current assets	8,986,359	59,726	9,046,085	-	9,046,085
Current assets					
Other receivables	546,995	-	546,995	(546,995)	-
Other current assets	-	-	-	600,547	600,547
Current portion of finance lease receivable	53,552	-	53,552	(53,552)	-
Total current assets	8,580,043	-	8,580,043	-	8,580,043
TOTAL ASSETS	17,566,402	59,726	17,626,128	-	17,626,128
Equity					
Additional paid-in capital	428,612	94,223	522,835	-	522,835
Retained earnings	1,623,618	(227,778)	1,395,840	-	1,395,840
Equity attributable to Parent of the Company	9,433,824	(133,555)	9,300,269	-	9,300,269
Non-controlling interests	420,444	(18,263)	402,181	-	402,181
Total equity	9,854,268	(151,818)	9,702,450	-	9,702,450
Non-current liabilities					
Loans	173,850	(57,883)	115,967	61,283	177,250
Finance lease obligations	461,544	31,248	492,792	-	492,792
Debt component of preferred shares	-	173,579	173,579	-	173,579
Deferred tax liabilities	879,283	(90,507)	788,776	-	788,776
Other non-current liabilities	114,057	-	114,057	(61,283)	52,774
Total non-current liabilities	1,628,734	56,437	1,685,171	-	1,685,171
Current liabilities					
Loans and current portion of long-term loans	889,523	-	889,523	224,801	1,114,324
Current portion of finance lease obligations	237,272	(31,248)	206,024	-	206,024
Financial liability at fair value through profit or loss	-	203,864	203,864	-	203,864
Trade accounts payable	1,285,637	(16,534)	1,269,103	-	1,269,103
Other current liabilities	3,420,150	(975)	3,419,175	(224,801)	3,194,374
Total current liabilities	6,083,400	155,107	6,238,507	-	6,238,507
TOTAL EQUITY AND LIABILITIES	17,566,402	59,726	17,626,128	-	17,626,128

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 2010 (restated)	194,943	4,821,956	4,641,973	391,750	150,315	10,200,937
Purchases	-	71,754	656,143	12,667	17,233	757,797
Internal movement	-	-	(11,574)	11,574	-	-
Disposals	(711)	(29,066)	(163,723)	(7,931)	-	(201,431)
At 31 December 2010 (restated)	194,232	4,864,644	5,122,819	408,060	167,548	10,757,303
Purchases	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 non-current 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
Accumulated depreciation and impairment:						
At 1 January 2010 (restated)	-	(862,169)	(1,461,893)	(106,737)	-	(2,430,799)
Depreciation charge for the year	-	(140,845)	(410,747)	(31,898)	-	(583,490)
Impairment charge for the year	-	-	(160,257)	-	-	(160,257)
Disposals	-	348	61,440	1,258	-	63,046
At 31 December 2010 (restated)	-	(1,002,666)	(1,971,457)	(137,377)	-	(3,111,500)
Depreciation charge for the year	-	(122,339)	(451,544)	(45,978)	-	(619,861)
Impairment charge for the year	-	-	(24,925)	-	-	(24,925)
Disposals	-	25,150	38,648	5,855	-	69,653
Transfer to non-current 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)
Carrying value:						
At 31 December 2011	171,847	3,540,837	3,106,036	305,861	174,203	7,298,784
At 31 December 2010 (restated)	194,232	3,861,978	3,151,362	270,683	167,548	7,645,803
At 1 January 2010 (restated)	194,943	3,959,787	3,180,080	285,013	150,315	7,770,138

As at 31 December 2011 and 2010 and 1 January 2010, property, plant and equipment with carrying value of 2,449,376 thousand tenge, 2,018,917 thousand tenge and 1,526,254 thousand tenge, respectively, were pledged as collateral for certain loans received by the Group (Note 17).

The cost of fully depreciated property, plant and equipment as at 31 December 2011 and 2010 amounted to 291,135 thousand tenge and 293,282 thousand tenge, respectively.

As at 31 December 2011 and 31 December 2010, the Group has property, plant and equipment with carrying value of 237,168 thousand tenge and 250,816 thousand tenge, respectively, which were retired from active use and have been preserved. Management believes that these property, plant and equipment are not impaired, because the presence of these assets enables the Group to have the necessary licences to perform the principal activities.

7. INVSTMENTS IN ASSOCIATES AND JOINT VENTURES

Name	Carrying value at 31 December 2010 (restated)	Acquired/ (received dividends)	Share in profit/(loss)	Carrying value 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
KAMAZ-Semei LLP	-	-	-	-
Aviasnab Company LLP	-	-	-	-
Soyuzinvestauto-Kazakhstan LLP	-	-	-	-
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

Name	Carrying value at 1 January 2010 (restated)	Acquired/ (received dividends)	Share in profit/(loss) (restated)	Carrying value at 31 December 2010 (restated)
Associates				
JSC ZIKSTO	692,799	(86,914)	119,514	725,399
MBM-Kirovets LLP	340,272	-	1,492	341,764
JSC KAMAZ-Engineering	-	-	228,427	228,427
Indra Kazakhstan Engineering LLP	-	-	-	-
Kaz-ST Engineering Bastau LLP	15,130	-	2,022	17,152
OJSC Ulan	7,623	-	1	7,624
KAMAZ-Semei LLP	-	-	-	-
Aviasnab Company LLP	-	-	-	-
Soyuzinvestauto-Kazakhstan LLP	-	-	-	-
Joint ventures				
Eurocopter Kazakhstan engineering LLP	-	-	-	-
Thales Kazakhstan Engineering LLP	75	87,261	125,051	212,387
Kazakhstan ASELSAN engineering LLP	-	-	-	-
	1,055,899	347	476,507	1,532,753

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

Name	Principal activity	31 December 2011	31 December 2010	1 January 2010
		Ownership, %	Ownership, %	Ownership %
Associates				
JSC ZIKSTO	Repair of freight rail cars, repair of wheel sets with replacement of elements	42%	42%	42%
Kaz-ST Engineering Bastau LLP	Investment holding activity and provision of defense, engineering services	49%	49%	49%
KAMAZ-Semei LLP	Commercial activity	49%	49%	49%
JSC KAMAZ-Engineering	Manufacture and sale of buses, cars, special-purpose equipment and its spare parts	25%	24%	24%
Indra Kazakhstan Engineering LLP	Manufacture of radar systems, systems of electronic warfare and intelligence	49%	-	-
Aviasnab Company LLP	Commercial activity	-	49%	49%
Soyuzinvestauto-Kazakhstan LLP	Commercial activity	-	49%	49%
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%	50%
Kazakhstan ASELSAN engineering LLP	Manufacture of electronic and optical devices	50%	-	-
Eurocopter Kazakhstan engineering LLP	Manufacture and technical maintenance of helicopters	50%	-	-

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

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

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

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

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

8. OTHER NON-CURRENT ASSETS

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Advances for property, plant and equipment	240,249	24,724	-
Long-term portion of finance lease receivable	2,788	2,788	16,176
Inventories held for capital repaid and construction of non-current assets	69,545	47,032	-
Loans given to employees	22,979	13,374	14,048
Accrued revenue	-	20,351	-
Other non-current receivables	6,691	35	999
	342,252	108,304	31,223

In October 2011, the Group entered into a finance lease agreement for equipment with JSC DBK-Leasing in the amount of 1,492,344 thousand tenge. Delivery of the equipment will be carried out in 2012. In accordance with this agreement, the Group has made an advance payment in the amount of 223,852 thousand tenge.

9. INVENTORY

	31 December 2011	31 December 2010 (restated)	1 January 2010
Wor-in-progress	3,305,142	2,181,718	2,790,528
Raw materials	2,266,930	1,593,299	1,558,603
Finished goods	2,142,640	1,853,541	1,524,263
Goods for resale	490,156	417,416	363,852
Other	357,343	109,862	3,500
Less: allowance for obsolete inventories	(364,247)	(321,542)	(408,072)
	8,197,964	5,834,294	5,832,674

Movement in allowance for obsolete inventories for the years ended 31 December 2011 and 2010 is presented as follows:

	2011	2010 (restated)
Allowance for obsolete inventories at the beginning of the period	(321,542)	(408,072)
(Accrued)/recovered during the period	(56,078)	21,879
Written-off agains previously created allowance	13,373	64,651
Allowance for obsolete inventories at the end of the period	(364,247)	(321,542)

10. TRADE ACCOUNTS RECEIVABLE

	31 December 2011	31 December 2010	1 January 2010
Trade receivables from third parties	579,638	510,321	309,055
Trade receivables from related parties	623,836	725,399	722,146
Less: allowance for doubtful debts	(44,132)	(36,318)	(54,829)
	1,159,342	1,199,402	976,372

Movement in allowance for doubtful debts for the years ended 31 December 2011 and 2010 is presented as follows:

	2011	2010
Allowance for doubtful debts at the beginning of the year	(36,318)	(54,829)
(Accrued)/recovered during the year	(8,171)	18,511
Written-off agains previously created allowance	357	-
Allowance for doubtful debts at the end of the year	(44,132)	(36,318)

As at 31 December 2011 and 2010, trade accounts receivable net of allowace for doubtful debts are denominated in the following currencies:

	31 December 2011	31 December 2010	1 January 2010
Tenge	1,158,227	1,182,924	976,372
US dollars	827	15,317	-
Russian roubles	288	1,161	-
	1,159,342	1,199,402	976,372

11. VALUE ADDED TAX AND OTHER TAXES RECOVERABLE

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Value added tax	545,457	250,667	192,637
Other taxes recoverable	12,101	9,515	14,255
	557,558	260,182	206,892

12. OTHER CURRENT ASSETS

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Short-term advance given to third parties	1,699,598	346,229	351,169
Short-term advance given to related parties	12,984	14,767	31,779
Prepaid expenses	34,458	11,964	52,711
Receivable from employees	17,893	11,496	12,047
Current-portion of non-interest bearing loan receivable	44,582	50,000	-
Guarantees for contracts execution	284,562	10,230	-
Other receivable from third parties	183,072	457,610	99,289
Current portion of finance lease receivable	12,893	13,388	53,552
Short-term investments	1,800	1,800	-
Less: allowance for doubtful debts	(23,332)	(69,807)	-
	2,268,510	847,677	600,547

Movement in allowance for doubtful debts for the years ended 31 December 2011 and 2010 is presented as follows:

	2011	2010
Allowance for doubtful debts at the beginning of the year	(69,807)	-
Recovered/(accrued) during the year	46,475	(69,807)
Allowance for doubtful debts at the end of the year	(23,332)	(69,807)

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

13. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010 (restated)	1 January 2010
Cash on bank accounts in tenge	3,350,186	4,785,787	556,960
Short-term deposits	81,005	1,624,574	159,645
Petty cash in tenge	31,593	12,116	24,438
Cash on bank accounts in foreign currencies	15,797	44,335	7,674
Cash on special bank accounts in tenge	5,089	43	2,951
Cash in transit	2,004	391	-
	3,485,674	6,467,246	751,668

As at 31 December 2011 and 2010, short-term deposits are deposits in tenge at JSC Tsesna Bank, JSC BTA Bank with an original maturity of 1-3 months and the interest rate of 4%-5% per annum.

As at 31 December 2011 and 2010, future cash inflows of 1,227,290 thousand tenge and 44,263 thousand tenge, respectively, were pledged as collateral for the loans received by the Group (Note 17).

Cash and cash equivalents are denominated in the following currencies:

	31 December 2011	31 December 2010 (restated)	1 January 2010
Tenge	3,469,877	6,422,911	743,994
US dollars	-	2,952	7,674
Euro	445	-	-
Russian roubles	15,352	41,383	-
	3,485,674	6,467,246	751,668

14. CHARTER CAPITAL

As at 31 December 2011 and 2010, 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. (1 January 2010: 7,381,594 shares with par value of 1,000 tenge).

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

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

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

15. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2011 and 2010 and 1 January 2010, additional paid-in capital of 428,612 thousand tenge represented 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.

Also, as at 31 December 2011 and 2010 and 1 January 2010, additional paid-in capital of 94,223 thousand tenge represents a fair value adjustment of interest-free financial aid received from the Shareholder, net of deferred taxes effect (Note 17).

16. NON-CONTROLLING INTERESTS

	2011	**2010 (restated)**
At 1 January	458,597	402,181
Non-controlling interests in net profit for the current year	114,577	56,416
At 31 December	573,174	458,597

17. LOANS

	Maturity	Interest rates	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Secured loans					
JSC Halyk Bank (a)	-	14%-16%	876,922	235,606	-
JSC BTA Bank (b)	January 2015	8.63% - 12.54%	830,993	-	-
JSC Temir Bank (c)	7 April 2013	14%	728,807	-	
JSC BTA Bank (d)	-	8% - 12%	292,336	263,734	174,517
JSC Eurasian Bank (e)	-	13%	102,576	100,970	78,752
JSC SB Alfa-Bank (f)	27 May 2011	17%	-	441,883	428,246
JSC Development Bank of Kazakhstan (g)	October 2011	10.45%	-	255,880	-
JSC Halyk Bank (h)	September 2011	18.5%	-	212,233	342,233
JSC Tsesna Bank (i)	2011	20%	-	70,000	-
			2,831,634	1,580,306	1,023,748
Non-secured loans					
JSC SWF Samruk-Kazyna (j)			150,045	250,045	250,045
Less: fair value adjustment			(22,218)	(52,220)	(81,439)
JSC BTA Bank	June 2012	13%	20,000	-	-
Other loans			-	44,870	99,220
			147,827	242,695	267,826
			2,979,461	1,823,001	1,291,574
Short-term loans and current portion of long-term loans			2,440,297	1,480,277	1,114,324
Long-term loans			539,164	342,724	177,250
			2,979,461	1,823,001	1,291,574

(a) JSC Halyk Bank

On 24 February 2010, the Group entered into a credit line agreement No.3 in JSC Halyk Bank 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. Condition of principal repayments and interest rate contracts are defined in the accessory agreements. According to addendum agrement 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.

Also, on 13 October 2010, the Group entered into a credit line agreement No.22 in JSC Halyk Bank 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. 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). 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 (31 December 2010: 10,432 thousand tenge) (Notes 19 and 22).

As at 31 December 2011, the property complex and equipment with a carrying value of 356,056 thousand tenge (31 December 2010: 337,707 thousand tenge) (Note 6), as well as the right to claim cash received in the future of 1,172,214 thousand tenge (31 December 2010: KZT 0) (Note 13) were pledged as collateral for the above loans.

(b) JSC BTA Bank

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. The Group pledged as collateral property, plant and equipment with the carrying value of 840,718 thousand tenge for the loan (Note 6).

(c) JSC Temir Bank

In 2011, the Company 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.

As at 31 December 2011, a set of production and administrative buildings and land with a carrying value of 416,554 thousand tenge served as collateral for the loan (Note 6).

(d) 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. 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. 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 19 and 22), which will be recognised in profit and loss on a systematic basis over the period of the loan agreement. In 2011, the Group recognised amortization of the fair value adjustment of 11,868 thousand tenge (2010: nil tenge).

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. Interest on loans paid monthly.

As at 31 December 2011, property complex and equipment with a carrying value of 670,726 thousand tenge (31 December 2010: 522,211 thousand tenge, 1 January 2010: 152,876 thousand tenge), were pledged as collateral for the above loans (Note 6).

(e) JSC Eurasian Bank

In 2010-2011, the Group entered into loan agreements with JSC Eurasian Bank. As at 31 December 2011, current portion of the loans amounted to 102,576 thousand tenge (31 December 2010: 100,970 thousand tenge). The interest rate on these loans ranged from 13% to 14.25%. As at 31 December 2011, property, plant and equipment with a carrying value of 165,322 thousand tenge were pledged as collateral for these loans (31 December 2010: 170,834 thousand tenge, 1 January 2010: 166,498 thousand tenge) (Note 6).

As at 31 December 2011 and 2010, future cash inflows from trade receivables of 55,076 thousand tenge and 44,263 thousand tenge, respectively, were pledged as collateral for these loans (Note 13).

(f) JSC SB Alfa-Bank

During 2011, the Group fully repaid the loan from JSC SB Alfa-Bank, obtained in September 2008 for working capital replenishment. Carrying value of collateral assets at 1 January 2010 amounted to 221,689 thousand tenge.

(g) JSC Development Bank of Kazakhstan

In April 2010, the Group entered into a loan agreement with JSC Development Bank of Kazakhstan of 1,700 thousand US dollars. In October 2011, the loan was fully repaid.

(h) JSC Halyk Bank

In 2008, the Group entered into loan agreements with JSC Halyk Bank of 458,000 thousand tenge. In September 2011, the loans were fully repaid. The Group pledged as collateral for these loans, property, plant and equipment with a carrying value of 855,604 thousand tenge as at 31 December 2010 (1 January 2010: 647,435 thousand tenge) (Note 6).

(i) JSC Tsesna Bank

In December 2010, the Group entered into a loan agreement with JSC Tsesna Bank of 70,000 thousand tenge. In June 2011, the loan was fully repaid. The Group pledged as collateral for this loan, property, plant and equipment with a carrying value of 132,561 thousand tenge as at 31 December 2010 (Note 6).

(j) JSC SWF Samruk-Kazyna

During 2008, the Company received an interest-free loan from the Parent company for business development of 250,045 thousand tenge. 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 statement of changes in equity. For the years ended 31 December 2011 and 2010, amortisation of discount of 30,002 thousand tenge and 29,219 thousand tenge, respectively, was recognized as interest expense (Note 28).

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

Loans repayment is made in the following terms:

	31 December 2011	**31 December 2010 (restated)**	**1 January 2010 (restated)**
Within one year	2,440,297	1,480,277	1,114,324
Within second year	383,288	155,167	108,644
Within third year	101,095	115,266	68,606
In subsequent years	54,781	72,291	-
	2,979,461	1,823,001	1,291,574

18. FINANCE LEASE OBLIGATIONS

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Less than one year	162,787	60,502	237,272	152,792	57,504	206,024
From 1 to 5 years	605,497	765,208	571,639	479,222	602,553	492,792
More than 5 years	-	-	-	-	-	-
	768,284	825,710	808,911	632,014	660,057	698,816
Less future finance costs	(136,270)	(165,653)	(110,095)	-	-	-
	632,014	660,057	698,816	632,014	660,057	698,816
Recognised in:						
- current liabilities				152,792	57,504	206,024
- non-current liabilities				479,222	602,553	492,792
				632,014	660,057	698,816

In April 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 2011, an embedded derivative amounted to 183,230 thousand tenge (31 December 2010: 154,813 thousand tenge, 1 January 2010: 203,864 thousand tenge). For the year ended 31 December 2011, the Group recognized a fair value adjustment of 28,417 thousand tenge to the embedded derivative as loss (2010: 49,051 thousand tenge as gain).

Finance lease obligations denominated in tenge.

19. OTHER NON-CURRENT LIABILITIES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Long-term advances received	717,400	1,000,000	-
Dividends payable	66,000	-	-
Other long-term payables to third parties	2,745	31,374	25,417
Deferred income – government subsidies	21,757	6,129	-
Other deferred income	3,451	-	-
Резервы	54,956	39,826	27,357
	866,309	1,077,329	52,774

Other non-current liabilities are denominated in tenge.

20. TRADE ACCOUNTS PAYABLE

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Accounts payable to suppliers and contractors	668,188	1,318,053	1,266,418
Accounts payable to related parties	51,743	85,159	2,685
	719,931	1,403,212	1,269,103

Trade accounts payable are donomiated in the following currencies:

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Tenge	649,408	1,334,067	1,269,103
US dollars	69,110	69,145	-
Russian roubles	1,413	-	-
	719,931	1,403,212	1,269,103

21. OTHER TAXES PAYABLE

	31 December 2011	31 December 2010 (restated)	1 January 2010
VAT	713,924	246,746	98,509
Pension and social contributions	129,086	99,282	48,656
Personal income tax	90,055	61,369	35,770
Social tax	60,850	37,089	18,609
Other taxes	30,500	13,111	4,464
	1,024,415	457,597	206,008

22. OTHER CURRENT LIABILITIES

	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
Advances received from third parties	1,731,641	2,085,286	2,422,701
Advances received from related parties	142,732	358,825	178,634
Provisions	774,791	144,732	121,490
Dividends payable	137,728	8,396	-
Salary payable	128,513	289,546	183,870
Deferred income – government subsidies	12,397	4,303	-
Other deferred income	240	6,266	28,973
Other payables	5,613	19,384	258,706
	2,933,655	2,916,738	3,194,374

As at 31 December 2011 provisions include accruals for services of 392,792 thousand tenge, provision for unused vacation and other employee benefits of 263,814 thousand tenge, provision for warranty services of 117,448 thousand tenge and other reserves (31 December 2010: nil tenge, 118,391 thousand tenge and 18,748 thousand tenge, respectively; 1 January 2010: nil tenge, 121,490 thousand tenge, nil and nil tenge, respectively).

Other current liabilities are denominated in tenge.

23. REVENUE

	2011	2010 (restated)
Revenue from finished goods sale	28,964,924	13,982,022
Revenue from rendering services	4,655,063	1,876,363
Other	3,207	3,644
	33,623,194	15,862,029

24. COST OF SALES

	2011	2010 (restated)
Raw materials	22,275,560	8,706,628
Payroll and related taxes	3,623,141	2,673,416
Subcontractors' services	2,208,973	426,415
Depreciation and amortisation	519,858	451,360
Utilities	409,198	292,905
Repair and maintenance	177,626	80,679
Other	420,890	268,598
	29,635,246	12,900,001
Work-in-progress, at the beginning of the year	2,181,718	2,790,528
Work-in-progress, at the end of the year	3,305,142	2,181,718
Change in work-in-progress	(1,123,424)	608,810
Finished goods at the beginning of the year	1,853,541	1,524,263
Finished goods at the end of the year	2,142,640	1,853,541
Change in finished goods	(289,099)	(329,278)
	28,222,723	13,179,533

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010 (restated)
Payroll and related taxes	1,372,912	994,307
Taxes	217,931	159,787
Professional services	164,606	91,838
Fines and penalties	155,041	105,596
Depreciation and amortisation	111,610	134,395
Business trips and representative expenses	107,224	77,028
Accrual of provision for employees remuneration	69,000	-
Utilities	63,810	39,497
Bank commissions	60,402	39,976
Repair and maintenance	59,906	64,468
Rent expenses	58,473	17,146
Accrual of provision for unused vacation	56,327	491
Accrual of allowance for obsolete inventories (Note 9)	56,078	(21,879)
Communication	30,963	24,688
Materials	27,848	18,900
Transportation	25,797	37,623
Education of personnel	18,586	12,464
Charity and sponsorship	12,502	7,726
Security	12,121	30,943
(Recovery)/accrual of allowance for doubtful debts (Notes 10 и 11)	(38,304)	51,296
Other	212,825	172,877
	2,855,658	2,059,167

26. SELLING EXPENSES

	2011	2010 (restated)
Transportation	200,234	73,190
Payroll and related taxes	112,957	81,516
Integration expenses	103,075	-
VAT non-recoverable	61,275	62,128
Business trips	51,947	32,875
Advertising and marketing	14,241	18,336
Depreciation and amortization	13,392	12,416
Utilities	2,609	-
Other	80,754	31,791
	640,484	312,252

27. OTHER PROFIT AND LOSSES

	2011	2010
Gain/(loss) from disposal of property, plant and equipment	393,664	(23,804)
Income from inventory sale	152,845	75,975
Rent income	47,969	11,548
Loss from impairment of property, plant and equipment	(24,925)	(160,257)
Other (losses)/profits	(67,023)	138,475
	502,530	41,937

28. FINANCE COSTS

	2011	2010 (restated)
Interest on loans	280,462	199,142
Interest of finance lease	68,540	60,180
Amortisation of fair value adjustment	30,002	29,219
Dividends on preferred shares	10,854	9,042
	389,858	297,583

29. TAXATION

	2011	2010 (restated)
Current income tax expense	524,519	269,663
Adjustment of current income tax for prior years	92,194	6,448
Deferred tax benefit	(34,784)	(214,196)
Income tax expense	581,929	61,915

Below is the tax effect on major temporary differences, which cause the deferred tax assets and liabilities as at 31 December 2011 and 2010:

	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 liabilities at fair value through profit and loss	30,963	5,683	36,646
Tax losses carried forward	156,695	(92,320)	64,375
	(545,152)	34,784	(510,368)

	At 1 January 2010	Recognised in profit and loss	At 31 December 2010
Property, plant and equipment	(954,198)	103,214	(850,984)
Trade accounts receivable	10,966	(3,702)	7,264
Inventory	81,614	(17,306)	64,308
Provisions	-	36,562	36,562
Taxes payable	14,346	(4,306)	10,040
Financial liabilities at fair value through profit and loss	40,773	(9,810)	30,963
Tax losses carried forward	47,151	109,544	156,695
	(759,348)	214,196	(545,152)

The reconciliation between expected income tax expense at 20% income tax rate in financial statements and tax accounting is presented below:

	2011	2010 (restated)
Profit before income tax	2,846,016	587,793
Theoretical income tax at official tax rate of 20%	569,203	117,559
Tax effect of permanent differences	(79,468)	(62,092)
Adjustment of current income tax for prior years	92,194	6,448
	581,929	61,915

In November 2010, the Tax Code of the Republic of Kazakhstan was amended regarding the income tax rate. According to these amendments from 1 January 2011 the income tax rate remains at 20% with no reductions in subsequent years.

30. 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 2011.

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

The Group has number of commitments for acquisition of property, plant and equipment of 89,052 thousand tenge and 476,434 thousand tenge, respectively, as at 31 December 2011 и 2010.

31. FINANCIAL INSTRUMENTS, OBJECTIVES AND FINANCIAL RISK MANAGEMNET 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

Data 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 10) and other current assets (Note 12), 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 2011	31 December 2010
Within the country	1,158,227	1,182,924
Outside the country	1,115	16,478

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 payment 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 2011 and 2010, distribution of trade receivables by ageing was as follows:

	31 December, 2011	31 December, 2010
Not overdue	599,927	696,729
Overdue by 3-6 months	487,744	475,745
Overdue by 6-12 months	71,671	26,928
Overdue by more than 12 months	44,132	36,318
	1,203,474	1,235,720

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
2011						
Non-interest bearing:						
Trade accounts payable	-	719,931	-	-	-	719,931
Other liabilities	-	134,126	137,728	68,745	-	340,599
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

	Interest	1-6 months	6 months – 1 year	1-5 years	More than 5 years	Total
2010 (restated)						
Non-interest bearing:						
Trade accounts payable	-	1,403,212	-	-	-	1,403,212
Other liabilities	-	308,930	8,396	31,374	-	348,700
Interest bearing:						
Loans	8%-20%	937,178	646,917	394,944	-	1,979,039
Finance lease	8%	30,251	30,251	765,208	-	825,710

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
2011						
Interest bearing:						
Short-term deposits	4%-5%	81,005	-	-	-	81,005
Restricted cash	-	82,391	-	-	-	82,391
Finance lease receivables	-	12,893	2,788	-	-	15,681
Non-interest bearing:						
Cash and cash equivalents	-	3,404,669	-	-	-	3,404,669
Trade accounts receivable	-	1,159,342	-	-	44,132	1,203,474
Other assets	-	514,016	29,670	-	18,347	562,033
2010 (restated)						
Процентные:						
Short-term deposits	4%-5%	1,624,574	-	-	-	1,624,574
Restricted cash	-	81,844	-	-	-	81,844
Finance lease receivables	-	13,388	2,788	-	-	16,176
Беспроцентные:						
Cash and cash equivalents	-	4,842,672	-	-	-	4,842,672
Trade accounts receivable	-	1,199,402	-	-	36,318	1,235,720
Other assets	-	449,833	33,760	-	69,807	553,400

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 2011 and 2010, fair value of financial assets and financial liabilities did not differ significantly from their carrying value.

32. 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 2011 and 2010, 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.

Receivables from related parties as at 31 December 2011 and 2010 are as follows:

	2011	**2010**
JSC NC Kazakhstan Temir Zholy	398,909	375,846
JSC NC KazMunaiGas	224,657	245,506
LLP Repair Corporation Kamkor	-	104,047
Other	270	-
	623,836	725,399

Accounts payable to related parties as at 31 December 2011 and 2010 is as follows:

	2011	**2010**
JSC NC Kazakhstan Temir Zholy	28,404	28,228
JSC NC KazMunaiGas	-	42,789
JSC Samruk Energy	21,286	2,700
Other	2,053	11,442
	51,743	85,159

As at 31 December 2011 and 2010, advances given to related parties are as follows:

	2011	**2010**
JSC Development Bank of Kazakhstan (Note 8)	223,852	-
JSC NC KazMunaiGas	10,910	10,223
Other	2,074	4,544
	236,836	14,767

As at 31 December 2011 and 2010, advances received from related parties are as follows:

	2011	2010
JSC NC Kazakhstan Temir Zholy	97,795	-
JSC NC KazMunaiGas	44,937	117,422
Ministries and agencies	-	241,403
	142,732	358,825

Revenues from sales to related parties for the years ended 31 December 2011 and 2010 is as follows:

	2011	2010
Ministries and agencies	17,925,532	4,472,856
JSC NC KazMunaiGas	3,450,671	3,332,878
JSC NC Kazakhstan Temir Zholy	3,989,016	2,741,634
JSC NAC Kazatomprom	801,118	27,439
JSC Kazpost	50,000	511
LLP Repair Corporation Kamkor	-	183,143
Other	4,119	34,546
	26,220,456	10,793,007

Expenses from services rendered and goods acquired from related parties for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010
JSC NC KazMunaiGas	16,410	22,618
JSC NC Kazakhstan Temir Zholy	213,952	177,115
JSC Samruk Energy	53,901	63,305
JSC Kazakhtelecom	5,582	36,732
LLP Repair Corporation Kamkor	-	134,773
Other	1,014	33,828
	290,859	468,371

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

33. EVENTS AFTER THE REPORTING DATE

On 15 February 2012, the Company received a loan from the Parent company of 5,000,000 thousand tenge at an interest rate of 3% per annum for up to 30 December 2013 on the establishment of a center for the production of electron-optical instruments on the territory of the Republic of Kazakhstan and to establish their own production modernization, engineering and maintenance and repair of armored vehicles for military purposes on the basis of the subsidiary

Subsequent to reporting date, the Group has received an advance from the Ministry of Defence of the Republic of Kazakhstan and the Ministry of Emergency Situations of the Republic of Kazakhstan in the amount of 14,497,178 thousand tenge for the supply of goods and services and provided advances to Eurocopter Kazakhstan Engineering LLP of 12,914,953 thousand tenge for the supply of helicopters.

Group repaid loans from JSC BTA Bank in advance of 420 million tenge.