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**JSC KAZAKHSTAN ENGINEERING  
NATIONAL COMPANY**

**Separate financial statements  
for the year ended 31 December 2014**

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## CONTENT

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	<b>Pages</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014	1
INDEPENDENT AUDITOR'S REPORT	2-3
SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014:	
Separate statement of financial position	4-5
Separate statement of profit or loss and other comprehensive income	6
Separate statement of cash flows	7-8
Separate statement of changes in equity	9
Notes to the separate financial statements	10-42

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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Management of JSC Kazakhstan Engineering National Company (the "Company") is responsible for the preparation of the separate financial statements that present fairly the financial position of the Company as at 31 December 2014, the results of its operations, cash flows, changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

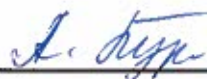
The separate financial statements for the year ended 31 December 2014 were approved and authorised for issue by management of the Company on 5 March 2015.

On behalf of the management of the Company

  
\_\_\_\_\_  
**Yerlan Idrissov**  
**Chairman**

5 March 2015  
Astana, the Republic of Kazakhstan



  
\_\_\_\_\_  
**Aizhan Burkitbayeva**  
**Chief Accountant**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying separate financial statements of Joint Stock Company Kazakhstan Engineering National Company (the "Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Separate Financial Statements

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

### Auditor's Responsibility

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

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

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

## Basis for Qualified Opinion

- 1) As discussed in Note 6 to the accompanying separate financial statements, in 2012 the Company made a decision to reflect investments in subsidiaries at their revalued amount at the date of their contribution to share capital of the Company (5 March 2004). This adjustment of 3,330,650 thousand tenge was recognised in the separate statement of changes in equity for 2012. We were not able to obtain sufficient appropriate audit evidence as to the adjusted value of the Company's investments in subsidiaries as at the date of the contribution. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- 2) Further, as disclosed in Note 6, during 2014 the Company contributed additional capital, in form of transferring assets, to certain subsidiaries at revalued amount upon transfer. As disclosed in Note 24, the difference between carrying value and the amount of contribution to subsidiaries was recorded in other income in the statement of profit or loss and other comprehensive income, which constitutes a departure from IFRS, which requires that income is recognized in the statement of profit or loss and other comprehensive income only in the event that the transaction results in an increase in economic benefits. Had this difference not been recorded in the statement of profit or loss and other comprehensive income, loss before tax for the year ended 31 December 2014, would have been increased by 552,501 thousand tenge and the income tax benefit would have been increased by 110,500 thousand tenge, resulting in a total comprehensive loss for the year of 41,148 thousand tenge.

## Qualified Opinion

In our opinion, except for the effects of the matter described in the second Basis for Qualified Opinion paragraph, and the possible effects of the matter described in the first Basis for Qualified Opinion paragraph, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Other Matter

We draw attention to Note 2 to the separate financial statements, which describes that the separate financial statements are the financial statements of the parent company, JSC Kazakhstan Engineering National Company. The Company also prepares consolidated financial statements of the Company and its subsidiaries. These separate financial statements should be read in conjunction with the consolidated financial statements, which were approved by management on 5 March 2015. Our opinion is not qualified in respect of this matter.



Alua Yessimbekova  
Engagement Partner  
Certified public accountant  
New Hampshire, USA  
License №07348 dd 12 June 2014



Abdrashitova Yekaterina  
Qualified auditor  
Qualification certificate  
No. MF-0000209,  
of 1 October 2014,  
Republic of Kazakhstan

*DELOITTE, LLP*

Deloitte, LLP  
Audit license for 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

5 March 2015  
Almaty, the Republic of Kazakhstan

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 (in thousands of tenge)

	Notes	31 December 2014	31 December 2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	4	668,850	498,131
Intangible assets	5	223,573	147,596
Investment property		-	35,674
Investments in subsidiaries	6	8,511,642	5,920,099
Investments in associates	7	282,125	313,132
Investments in joint ventures	8	4,504,031	1,503,542
Loans given	9	2,875,478	3,176,651
Deferred tax assets	28	976,062	546,073
Other non-current assets		5,185	93,585
		<u>18,046,946</u>	<u>12,234,483</u>
<b>CURRENTS ASSETS:</b>			
Inventories	10	35,504	262,441
Trade and other receivables	11	2,201,636	185,685
Income tax prepaid		430,948	228,591
Other taxes recoverable		192,027	141,520
Short-term financial investments	12	27,961,936	20,110,038
Loans given	9	10,059,635	10,149,857
Other current assets	13	350,376	230,574
Cash	14	7,133,194	9,281,424
		<u>48,365,256</u>	<u>40,590,130</u>
Assets classified as held for sale	15	<u>143,980</u>	<u>-</u>
Total current assets		<u>48,509,236</u>	<u>40,590,130</u>
<b>TOTAL ASSETS</b>		<u>66,556,182</u>	<u>52,824,613</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Charter capital	16	21,476,802	12,101,802
Additional paid-in-capital	17	412,406	412,406
Accumulated deficit		<u>(2,158,124)</u>	<u>(1,905,947)</u>
		<u>19,731,084</u>	<u>10,608,261</u>
<b>NON-CURRENT LIABILITIES:</b>			
Debt securities issued	18	36,255,626	40,556,598
Employee benefits obligations		2,438	-
		<u>36,258,064</u>	<u>40,556,598</u>

**JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY**

**SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2014  
(in thousands of tenge)**

	Notes	31 December 2014	31 December 2013
<b>CURRENT LIABILITIES:</b>			
Current portion of debt securities issued	18	10,409,721	183,026
Trade and other payables	19	29,992	1,216,380
Other taxes payable		63,162	82,530
Employee benefits obligations		756	-
Other current liabilities		63,403	177,818
		<u>10,567,034</u>	<u>1,659,754</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>66,556,182</u>	<u>52,824,613</u>

On behalf of the management of the Company

  
Yerlan Idrissov  
Chairman

5 March 2015  
Astana, the Republic of Kazakhstan



  
Aizhan Burkittbayeva  
Chief Accountant

The notes below form an integral part of the financial statements. The independent auditor's report is on pages 2-3.

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

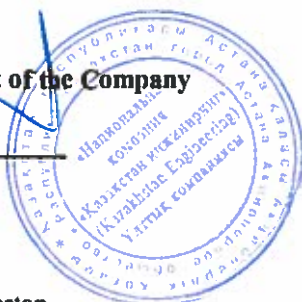
## SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of tenge)

	Notes	2014	2013
REVENUE	20	71,647	5,278,992
COST OF SALES	21	<u>(71,109)</u>	<u>(5,018,486)</u>
GROSS PROFIT		538	260,506
General and administrative expenses	22	(1,850,123)	(1,463,592)
Selling expenses		(171,125)	(100,644)
Recovery/(accrual) of provisions	23	238,351	(554,481)
Other income	24	1,288,252	171,722
Other expenses		(159,739)	(101,320)
Foreign exchange loss	25	(1,817,778)	(25,280)
Dividends income		2,428,088	1,928,397
Finance income	26	2,540,236	1,263,548
Finance costs	27	<u>(2,526,580)</u>	<u>(1,408,446)</u>
Loss before tax		(29,880)	(29,590)
Income tax benefit	28	<u>429,989</u>	<u>598,770</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>400,109</u>	<u>569,180</u>

On behalf of the management of the Company

  
Yerlan Idrissov  
Chairman

5 March 2015  
Astana, the Republic of Kazakhstan



  
Aizhan Burkitbayeva  
Chief Accountant

The notes below form an integral part of the financial statements. The independent auditor's report is on pages 2-3.



# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of tenge)

	Notes	2014	2013
<b>OPERATING ACTIVITY:</b>			
Loss before income tax		(29,880)	(29,590)
Adjustments for:			
Amortisation and depreciation	22	85,397	71,707
Foreign exchange loss		1,817,778	25,280
(Recovery)/accrual of allowance for doubtful accounts	23	(471,101)	830,645
Accrual/(recovery) of allowance for impairment of investments	23	196,280	(15,798)
Accrual of provision for employee benefits	23	3,194	-
Gain on disposal of property, plant and equipment		214	360
Difference between the carrying value of property, plant and equipment, investment property and inventory and the amount of contribution to subsidiaries	24	(552,501)	(9,265)
Recovery of other provisions	23	-	(138,284)
Accrual/(recovery) of provision for unused vacation and other remunerations	23	33,276	(122,082)
Dividends income		(2,428,088)	(1,928,397)
Finance income	26	(2,540,236)	(1,263,548)
Finance costs	27	2,526,580	1,408,446
Cash flows from operating activity before changes in working capital		(1,359,087)	(1,170,526)
Changes in working capital:			
Change in trade and other receivables		63,020	(45,007)
Change in other taxes recoverable		(244,508)	(137,995)
Change in other assets		15,876	391,385
Change in inventories		(2,522)	(18,046)
Change in trade and other payables		(1,216,115)	(1,853,441)
Change in other taxes payable		160,251	(78,095)
Change in other current liabilities		(147,694)	(188,975)
Cash used in operating activity		(2,730,779)	(3,100,700)
Income tax paid		-	(225,070)
Interests paid		(2,179,012)	(965,239)
Net cash used in operating activity		(4,909,791)	(4,291,009)
<b>INVESTING ACTIVITY:</b>			
Acquisition of property, plant and equipment		(234,047)	(46,911)
Acquisition of intangible assets	5	(1,704)	(28,721)
Acquisition of other non-current assets		-	(44,200)
Interest-free financial aid and loans given to related parties	9	(7,551,123)	(15,697,266)
Proceeds from repayments of interest-free financial aid and loans given to related parties	9	9,034,941	9,574,401
Contributions to charter capital of joint ventures and subsidiaries	6, 8	(5,000,000)	-
Proceeds from disposal of investment in subsidiary		-	3,409
Contributions to short-term financial investments		(5,145,940)	(20,027,800)
Dividends received		472,109	1,805,241
Interest received		1,838,068	184,382
Net cash used in investing activity		(6,587,696)	(24,277,465)

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

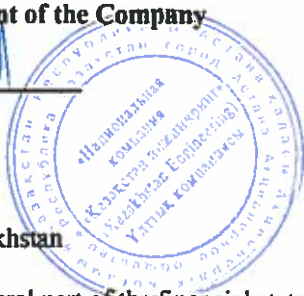
## SEPARATE STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of tenge)

	Notes	2014	2013
<b>FINANCING ACTIVITY:</b>			
Contribution to charter capital	16	9,375,000	-
Proceeds from non-bank borrowings		-	4,700,000
Repayment of non-bank borrowings		-	(9,700,000)
Proceeds from debt securities issued		-	40,713,099
Redemption of debt securities		-	(4,335,637)
Dividends paid		(652,286)	(744,544)
		<u>8,722,714</u>	<u>30,632,918</u>
Net cash generated by financing activity			
CHANGE IN CASH, net		(2,774,773)	2,064,444
CASH, at the beginning of the year	14	9,281,424	7,258,319
Effects of exchange rate changes on the balance of cash held in foreign currencies		626,543	(41,339)
CASH, at the end of the year	14	<u>7,133,194</u>	<u>9,281,424</u>

On behalf of the management of the Company

  
Yerlan Idrissov  
Chairman

5 March 2015  
Astana, the Republic of Kazakhstan



  
Aizhan Burkitbayeva  
Chief Accountant

The notes below form an integral part of the financial statements. The independent auditor's report is on pages 2-3.

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of tenge)

	Notes	Charter capital	Additional paid-in capital	Accumulated deficit	Total
At 1 January 2013		12,101,802	314,689	(1,796,583)	10,619,908
Profit and total comprehensive income for the year		-	-	569,180	569,180
Dividends	16	-	-	(678,544)	(678,544)
Fair value adjustment on loan received from Shareholder, less deferred tax effect of 24,429 thousand tenge		-	97,717	-	97,717
At 31 December 2013		12,101,802	412,406	(1,905,947)	10,608,261
Profit and total comprehensive income for the year		-	-	400,109	400,109
Contribution to charter capital	16	9,375,000	-	-	9,375,000
Dividends	16	-	-	(652,286)	(652,286)
At 31 December 2014		21,476,802	412,406	(2,158,124)	19,731,084

On behalf of the management of the Company

Yerlan Idrissov  
Chairman

Aizhan Burkitbayeva  
Chief Accountant

5 March 2015  
Astana, the Republic of Kazakhstan

The notes below form an integral part of the financial statements. The independent auditor's report is on pages 2-3.

# JSC KAZAKHSTAN ENGINEERING NATIONAL COMPANY

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (in thousands of tenge)

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### 1. GENERAL INFORMATION

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

As at 31 December 2014 and 2013, the Company’s sole shareholder is JSC Sovereign Wealth Fund Samruk-Kazyna. As at 31 December 2014, the Company’s 100% shares were transferred under trust management to the Ministry of Defence of the Republic of Kazakhstan.

Principal activity of the Company is:

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

Legal address: 10, Kunayev st., Astana, the Republic of Kazakhstan.

Number of employees of the Company as at 31 December 2014 was 93 people (31 December 2013: 94 people).

#### Operating Environment

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

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Company’s financial position.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

#### *Statement of compliance with IFRS*

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These separate financial statements are the financial statements of the parent company, JSC Kazakhstan Engineering National Company. Subsidiaries were not consolidated to these separate financial statements. Investments to subsidiaries, associates and joint ventures were measured at cost less impairment losses. These separate financial statements shall be read in conjunction with the consolidated financial statements which were authorized for issue by the Company management on 5 March 2015.

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

#### ***Basis of measurement***

The separate financial statements have been prepared on the historical cost basis, except for certain financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### ***Functional and presentation currency***

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

#### **Adoption of new and revised International Financial Reporting Standards**

##### ***Standards and Interpretations adopted during the current year:***

In the current year, the Company applied for the first time a number of new and revised IFRS that are mandatory from 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*;
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Impairment of assets - Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to IAS 39 *Financial Instruments: recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting*;
- IFRIC 21 *Levies*.

### *Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities*

The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

These amendments do not have any effect on the financial statements, as the Company is not an investment entity.

### *Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. There is no effect of these amendments on the separate financial statements of the Company.

### *Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable when recoverable amount has been determined on the basis of fair value less costs of disposal. The application of these amendments has had no material impact on the disclosures in the Company's separate financial statements.

### *Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Company does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's separate financial statements.

### *IFRIC 21 Levies*

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's separate financial statements.

## Standards and interpretations issued but not yet effective:

The Company has not applied the following new and revised IFRS and IFRIC (issued but not yet in force):

	<b>Effective for reporting periods starting on and after</b>
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
Adjustments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> , regarding clarifications to admissible depreciation and amortisation methods	1 January 2016
Adjustments to IFRS as part of <i>IFRS Improvements 2010–2012 and IFRS Improvements 2011–2013</i>	1 July 2014
Adjustments to IFRS as part of <i>IFRS Improvements September 2014</i>	1 January 2016

Certain IFRS have been revised and new standards issued that have not yet become effective. The most significant future change is expected from IFRS 9 and IFRS 15.

### *IFRS 9 Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014, IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Company anticipates that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

### *IFRS 15 Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The standard is effective for annual periods beginning on or after 1 January 2017.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts;
- recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, the Company recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

The Company did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

### **Significant accounting policies**

#### ***Non-current assets held for sale***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

#### ***Property, plant and equipment***

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

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

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

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



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

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

#### ***Intangible assets***

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

#### ***Investment property***

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

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

#### ***Impairment of property, plant and equipment and intangible assets***

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

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

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

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

#### ***Investments in subsidiaries***

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

### ***Investments in associates and joint ventures***

Investments in associates and joint ventures are measured at cost less impairment losses in these separate financial statements. An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

### ***Inventories***

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

### ***Recognition of financial instruments***

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

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

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

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

### ***Financial assets***

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (“FVTPL”), “held-to-maturity” investments and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Cash**

Cash comprise cash in bank and cash on hand.

### **Trade accounts receivable**

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

### **Loans and other receivables**

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

### Impairment of financial assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

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

### Financial liabilities and equity instruments

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

### Equity instruments

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

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

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

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

### Trade and other payables

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

### Interest-bearing loans and borrowings

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

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

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

### Offsets

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

### ***Derecognition of financial assets and liabilities***

#### ***Financial assets***

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

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

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

#### ***Financial liabilities***

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

#### ***Retirement benefit costs***

The Company contributes 10% of each employee’s salary to an employee pension fund, but no more than 149,745 tenge per month (2013: no more than 139,950 tenge per month). Pension fund contributions are withheld from employee salaries and included in payroll costs in the separate statement of comprehensive income.

#### ***Provisions***

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

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

#### ***Revenue recognition***

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

Revenue from the sale of goods is recognised when the goods are delivered and the title has been transferred. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

### *Dividends and interests income*

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

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

### *Lease*

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

#### *The Company as a lessor*

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

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

#### *The Company as a lessee*

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

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

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

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

### *Borrowing costs*

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

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

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

### ***Foreign currency transactions***

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

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

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

### ***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 separate statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### ***Deferred tax***

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate 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 in the separate financial statements if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

#### ***Current and deferred tax for the year***

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

### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

#### *Classification of Eurocopter Kazakhstan engineering LLP, Thales Kazakhstan Engineering LLP, Kazakhstan ASELSAN engineering LLP as joint ventures*

Eurocopter Kazakhstan engineering LLP, Thales Kazakhstan Engineering LLP and Kazakhstan ASELSAN engineering LLP are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, investments in these joint arrangements are classified as investments in joint ventures (Note 8).

#### *Classification of JSC ZIKSTO, JSC KAMAZ-Engineering, Indra Kazakhstan Engineering LLP as associates*

The Company holds 25% and more interests in JSC ZIKSTO, JSC KAMAZ-Engineering, Indra Kazakhstan Engineering LLP and other associates. Management of the Company believes that the voting power and presence at the board of directors (supervisory boards) allows the Company to exercise significant influence on the operations of these investees. Accordingly, the Company classifies investments in these companies as investments in associates (Note 7).

Within the privatization plan for 2014-2016, approved by Government of the Republic of Kazakhstan the Company classified its share in JSC ZIKSTO, JSC Omega, JSC 832 Motor-repair Plant KE, Kaz-ST engineering Bastau LLP and other investments as assets held for sale for the amount of 143,980 thousand tenge as at 31 December 2014 (Note 15). Management of the Company expects that the sale of 51% in JSC 832 Motor-repair Plant KE and 49% in JSC Omega Engineering Plant will not lead to the loss of control of subsidiaries.

#### *Useful lives of property, plant and equipment*

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

#### *Impairment of assets*

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

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

### *Measurement of inventories*

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

### *Taxation*

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are quite usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Where additional taxes are imposed by the tax authorities penalties and interest applied are significant; penalties are generally assessed at 50% of the additional taxes accrued, and interest is assessed at 13.75% of taxes not settled on a timely basis. As a result, penalties and interest can exceed the amount of additional accrued taxes.

The Company's management believes that the Company has paid or accrued all applicable taxes. In unclear cases, the Company has accrued tax liabilities based on management's best estimate. Company's policy requires the recognition of provisions in the period in which there is a possibility of loss, the amount of which can be determined with reasonable accuracy.

Due to the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, related to the years under audit and the subsequent years may be in excess of the amount expensed to date and accrued as at 31 December 2014. It is not practicable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.



#### 4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and construction	Machinery, equipment and vehicles	Other assets	Construction in progress	Total
<b>Cost:</b>						
At 1 January 2013	38,620	350,197	178,467	94,696	8,033	670,013
Additions	-	-	23,017	23,893	363	47,273
Contribution to the charter capital of the subsidiary (Note 6)	(5,456)	(19,007)	-	-	-	(24,463)
Internal transfer	-	80,828	(88,532)	7,704	-	-
Disposals	-	(6,819)	-	(3,986)	(363)	(11,168)
At 31 December 2013	33,164	405,199	112,952	122,307	8,033	681,655
Additions	-	-	114,957	79,570	44,179	238,706
Transfer from inventories	-	-	135	852	-	987
Internal transfer	-	-	44,179	-	(44,179)	-
Contribution to the charter capital of the subsidiaries (Note 6)	(1,742)	-	(742)	(2,175)	-	(4,659)
Disposals	-	-	(2,776)	(24,175)	-	(26,951)
At 31 December 2014	31,422	405,199	268,705	176,379	8,033	889,738
<b>Accumulated depreciation:</b>						
At 1 January 2013	-	(61,180)	(51,002)	(34,645)	-	(146,827)
Charge for the year	-	(16,046)	(12,129)	(18,968)	-	(47,143)
Disposals	-	6,819	-	3,627	-	10,446
Internal transfer	-	(28,872)	31,566	(2,694)	-	-
At 31 December 2013	-	(99,279)	(31,565)	(52,680)	-	(183,524)
Charge for the year	-	(15,547)	(24,654)	(23,911)	-	(64,112)
Disposals	-	-	2,775	23,973	-	26,748
At 31 December 2014	-	(114,826)	(53,444)	(52,618)	-	(220,888)
<b>Carrying value:</b>						
At 31 December 2014	31,422	290,373	215,261	123,761	8,033	668,850
At 31 December 2013	33,164	305,920	81,387	69,627	8,033	498,131

Cost of fully depreciated property, plant and equipment as at 31 December 2014 and 2013 was 38,733 thousand tenge and 17,833 thousand tenge, respectively.

As at 31 December 2014 and 2013, the Company had property, plant and equipment with the carrying value of 195,262 thousand tenge and 208,627 thousand tenge, respectively, which were removed from active service and put into conservation. The Company management believes that these property, plant and equipment are not impaired as their availability allows the Company to maintain licenses required to carry out its principal activity.

In 2014, the Company transferred property, plant and equipment with the carrying value of 4,659 thousand tenge as a contribution to the charter capital of the subsidiary, SRI Kazakhstan Engineering LLP (2013: 24,463 thousand tenge as a contribution to the charter capital of the subsidiary, Kazakhstan Aviation Industry LLP) (Note 6).

## 5. INTANGIBLE ASSETS

	Software	Other	Total
<b>Cost:</b>			
At 1 January 2013	116,614	85,018	201,632
Additions	<u>26,855</u>	<u>1,866</u>	<u>28,721</u>
At 31 December 2013	143,469	86,884	230,353
Additions	1,704	-	1,704
Transfer from other non-current assets	<u>92,383</u>	<u>-</u>	<u>92,383</u>
At 31 December 2014	<u>237,556</u>	<u>86,884</u>	<u>324,440</u>
<b>Accumulated amortisation:</b>			
At 1 January 2013	(27,080)	(40,635)	(67,715)
Charge for the year	<u>(9,374)</u>	<u>(5,668)</u>	<u>(15,042)</u>
At 31 December 2013	(36,454)	(46,303)	(82,757)
Charge for the year	<u>(12,256)</u>	<u>(5,854)</u>	<u>(18,110)</u>
At 31 December 2014	<u>(48,710)</u>	<u>(52,157)</u>	<u>(100,867)</u>
<b>Carrying value:</b>			
At 31 December 2014	<u>188,846</u>	<u>34,727</u>	<u>223,573</u>
At 31 December 2013	<u>107,015</u>	<u>40,581</u>	<u>147,596</u>

## 6. INVESTMENTS IN SUBSIDIARIES

	31 December 2014	31 December 2013
JSC Semey Engineering	2,864,053	530,203
JSC Kirov Machinery Plant	1,804,110	1,804,110
SRI Kazakhstan Engineering LLP	985,374	515,718
JSC Petropavlovsk heavy machinery construction plant	873,480	873,480
JSC S.M. Kirov Plant	493,386	493,386
JSC Tynys	484,162	484,162
JSC Semipalatinsk Machinery Construction Plant	437,472	437,472
JSC KazEng Electronics	429,789	429,789
JSC Munaymash	212,567	212,567
Kazakhstan Aviation Industry LLP	185,851	185,852
JSC Omega EngineeringInstrument Making Plant	144,472	285,620
JSC Uralsk Plant Zenith	120,638	120,637
JSC Research Institute Hydropribor	102,402	102,402
JSC 811 Motor-repair Plant KE	90,106	80,153
JSC 832 Motor-repair Plant KE	71,689	143,866

In March 2004, the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan ("Former Shareholder") had made a contribution to the charter capital of the Company by shares in subsidiaries in the amount of 4,498,094 thousand tenge, which were valued by independent appraisers. In the financial statements as at 31 December 2011, investments in subsidiaries were stated at cost less impairment losses. In 2012, the Company made a decision to reflect the investments at their revalued amount at the date of contribution and recognised the adjustment in the amount of 3,330,650 thousand tenge in the separate statement of changes in equity.

During 2013, the Company increased the charter capital of Kazakhstan Aviation Industry LLP by transfer of the property, plant and equipment with revalued amount of 33,728 thousand tenge. The carrying value of the property, plant and equipment amounted to 24,463 thousand tenge (Note 4).

During 2014, the Company increased the charter capital of following subsidiaries:

- JSC 811 Motor-repair Plant KE by transfer of inventory with revalued amount of 9,953 thousand tenge. The carrying value of inventory amounted to 6,548 thousand tenge (Note 10);
- SRI Kazakhstan Engineering LLP by transfer of land and investment property with the total revalued amount of 469,656 thousand tenge. The carrying value of transferred land and investment property amounted to 4,659 thousand tenge (Note 4) and 32,592 thousand tenge, respectively;
- JSC Semey Engineering by contribution of cash and transfer of inventory in the amount of 2,000,000 thousand tenge and 333,850 thousand tenge, respectively. The carrying value of transferred inventory amounted to 217,159 thousand tenge (Note 10).

As at 31 December 2014, the Company classified its investment interest of 51% in JSC 832 Motor-repair Plant KE and 49% in JSC Omega Engineering Plant as assets held for sale, with carrying amount, net of impairment reserve, of 27,636 thousand tenge and 85,337 thousand tenge, respectively (Note 15).

The movement in allowance for impairment for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
At the beginning of the year	(779,318)	(784,564)
(Accrued)/recovered during the year (Note 23)	(108,944)	5,246
Transferred to assets held for sale	100,353	-
	<u>(787,909)</u>	<u>(779,318)</u>

During 2014 the management of the Company carried out impairment test for investment in subsidiary of JSC Kirov Machinery Plant, as the result impairment loss for the amount for 108,944 thousand tenge, was recognised.

The list of the Company's subsidiaries indicating the activities, place of incorporation and interests owned by the Company as at 31 December is presented below:

Subsidiaries	Principal activity	Place of incorporation	Ownership share	
			31 December 2014	31 December 2013
JSC Kirov Machinery Plant	Submarine weapons and hydraulics and automatics for marine ships; pneumatic perforators for extracting industry; spare parts for railway industry	Kazakhstan	98%	98%
JSC Petropavlovsk Heavy Machinery Building Plant	Special equipment for oil, vessels working under pressure, and tools for repair and maintenance railways, parts of rolling stock, production and sale of defence purposes products, production and modernization of modern specialised equipment	Kazakhstan	100%	100%
JSC Semey Engineering	Repair of defence purposes vehicles, engines, car shipping	Kazakhstan	100%	100%
SRI Kazakhstan Engineering LLP	Design and development of new types of special products for the defence industry	Kazakhstan	100%	100%
JSC S.M. Kirov Plant	Navigation systems, radio stations, railway control console, oil and gas control units and automated machinery	Kazakhstan	84%	84%
JSC Tynys	Medical equipment, gas drive fittings, aviation products, tubes, extinguishing	Kazakhstan	99%	99%
JSC Semipalatinsk Machinery Construction Plant	Crawler-Transporters tractors, manhole covers for the wagons, repair of engineering equipment	Kazakhstan	99%	99%

JSC KazEng Electronics	Research and works in electronics, the creation of automated control systems, development and implementation of programs and technologies	Kazakhstan	100%	100%
JSC Omega Engineering Plant	Water purification plants "Taza Su", parts and components for railway; digital phone stations and spare parts, phones, wide range goods	Kazakhstan	99%	99%
JSC Munaymash	Downhole sucker rod pumps for oil and gas sector, wide range goods	Kazakhstan	52%	52%
Kazakhstan Aviation Industry LLP	Maintenance and support of aviation technics	Kazakhstan	100%	100%
JSC 832 Motor-repair Plant KE	Repair of automotive vehicles	Kazakhstan	100%	100%
JSC Uralsk plant Zenith	Lifeboats and ships for Naval Forces of Kazakhstan; engineering and manufacture of steel constructions, spare parts for oil and gas complex	Kazakhstan	95%	95%
JSC 811 Motor-repair Plant KE	Repair of automotive vehicles, armour, power packs and power plants; modernization of equipment	Kazakhstan	100%	100%
JSC Research Institute Hydropribor	Engineering and research as well as manufacturing of sea and river lifeboats, ships, vessels and other water crafts and underwater vehicles, surface and air robots and lifeboats, equipment for underwater examination and repair of pipelines, boring rigs, underwater facilities	Kazakhstan	93%	93%

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

## 7. INVESTMENTS IN ASSOCIATES

Name of associate	Principal activity	31 December 2014		31 December 2013	
		Cost	Ownership interest, %	Cost	Ownership interest, %
KAMAZ-Semei LLP	Commercial activity	1,000	49%	1,000	49%
JSC KAMAZ-Engineering	Manufacture and sale of buses, cars, special-purpose equipment and its spare parts	207,000	25%	207,000	25%
Indra Kazakhstan engineering LLP	Manufacture of radar systems, systems of electronic warfare and intelligence	124,460	49%	124,460	49%
LLP Kazakhstan engineering Distribution	Sale of products manufactured by the entities of the Group, attracting investments, participation in state programmes and tenders for equipment supply	8,174	49%	8,174	49%
JSC ZIKSTO	Repair of freight rail cars, repair of wheel sets with replacement of elements	-	42.13%	20,455	42.13%
Kaz-ST Engineering Bastau LLP	Investment holding activity and provision of defence, engineering services	-	49%	42,864	49%
		340,634		403,953	
Less: allowance for impairment		(58,509)		(90,821)	
		<u>282,125</u>		<u>313,132</u>	

As at 31 December 2014, the Company classified its investment interest of 42.13% in JSC ZIKSTO and 49% in Kaz-ST Engineering Bastau LLP as assets held for sale, with carrying amount, net of impairment provision, of 20,455 thousand tenge and 10,552 thousand tenge, respectively (Note 15).

The movement in allowance for impairment for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
At the beginning of the year	(90,821)	(101,373)
Recovered during the year (Note 23)	-	10,552
Transfer to assets held for sale	<u>32,312</u>	<u>-</u>
At the end of the year	<u>(58,509)</u>	<u>(90,821)</u>

## 8. INVESTMENTS IN JOINT VENTURES

Name of joint venture	Principal activity	31 December 2014	31 December 2013
Thales Kazakhstan Engineering LLP	Development, manufacture and sale of electronic equipment, systems, software and provision of related services; manufacture, sale and technical maintenance of radio and communication equipment	87,336	87,336
Kazakhstan ASELSAN engineering LLP	Manufacture of electronic and optical devices	3,353,818	265,993
Eurocopter Kazakhstan engineering LLP	Manufacture and technical maintenance of helicopters	<u>1,150,213</u>	<u>1,150,213</u>
Less: allowance for impairment		<u>(87,336)</u>	<u>-</u>
		<u>4,504,031</u>	<u>1,503,542</u>

During 2014, the Company made cash contribution to the charter capital of Kazakhstan ASELSAN engineering LLP in the amount of 3,000,000 thousand tenge.

Also, during 2014, the Company recognised a fair value adjustment on loan given to Kazakhstan ASELSAN engineering LLP within the investments in the amount of 87,825 thousand tenge (2013: 147,566 thousand tenge) (Note 9).

In 2014 the Company recognised an impairment loss for its investment in Thales Kazakhstan engineering LLP for the amount of 87,336 thousand tenge due to the fall of operating activities of the Company and absence of business plan, which considers improvements in future operating activities.

## 9. LOANS GIVEN

	31 December 2014	31 December 2013
JSC Semey Engineering	3,126,005	5,123,330
JSC Kirov Machinery Plant	2,345,358	1,768,866
Kazakhstan Aviation Industry LLP	2,248,528	641,602
JSC Petropavlovsk Heavy Machinery Building Plant	2,075,810	1,840,125
JSC Tynys	1,675,510	1,595,787
Kazakhstan ASELSAN engineering LLP	1,476,364	2,732,911
JSC S.M. Kirov Plant	924,463	1,586,053
JSC Semipalatinsk Machinery Construction Plant	791,575	255,773
JSC Omega Engineering Plant	166,842	-
JSC Uralsk Plant Zenith	-	270,225
	<u>14,830,455</u>	<u>15,814,672</u>
Less: fair value adjustment	<u>(19,067)</u>	<u>(39,919)</u>
	14,811,388	15,774,753
Allowance for doubtful debts	<u>(1,876,275)</u>	<u>(2,448,245)</u>
	<u>12,935,113</u>	<u>13,326,508</u>
Current portion	9,781,374	9,928,997
Accrued interest	278,261	220,860
Non-current portion	<u>2,875,478</u>	<u>3,176,651</u>
	<u>12,935,113</u>	<u>13,326,508</u>

Movement in allowance for doubtful debts for the years ended 31 December 2014 and 2013 is presented as follows:

	2014	2013
At the beginning of the year	(2,448,245)	(1,831,360)
Recovered/(accrued) during the year	568,109	(616,885)
Written-off against previously created allowance	<u>3,861</u>	<u>-</u>
At the end of the year	<u>(1,876,275)</u>	<u>(2,448,245)</u>

During 2014, the Company provided interest-free financial aid and loans with the interest rate of 7.5% to subsidiaries and joint ventures in the amount of 7,551,123 thousand tenge (2013: 15,697,266 thousand tenge).

During 2014, subsidiaries and joint venture repaid interest-free financial aids and loan given in the amount of 9,034,941 thousand tenge (2013: 9,574,401 thousand tenge).

On 25 December 2013, the Company amended contract terms on loan given to Kazakhstan ASELSAN engineering LLP, whereby maturity was prolonged to 25 March 2014 and repayment amount was pinned to U.S. dollar at exchange rate as of date of repayment. As a result, the Company remeasured this loan at amortised cost and recognised a fair value adjustment of 147,566 thousand tenge in the cost of investments in joint venture (Note 8). During 2014, the maturity of the loan was extended until 31 March 2015. The Company remeasured the loan at amortised cost and recognised a fair value adjustment of 87,825 thousand tenge in the cost of investments in joint venture (Note 8). For the purposes of estimation of the fair value of loan, the Company has applied the effective interest rate of 7%.

For the years ended 31 December 2014 and 2013, income from amortisation of fair value adjustment amounted to 104,817 thousand tenge and 381,629 thousand tenge, respectively (Note 26).

For the years ended 31 December 2014 and 2013, interest income on loans given amounted to 770,276 thousand tenge and 441,636 thousand tenge, respectively (Note 26).

## 10. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	34,587	37,003
Goods	<u>917</u>	<u>225,438</u>
	<u>35,504</u>	<u>262,441</u>

During 2014, the Company made contributions into charter capital of its subsidiaries by transfer of inventory with the carrying value of 223,707 thousand tenge (Note 6).

## 11. TRADE AND OTHER RECEIVABLES

	31 December 2014	31 December 2013
Trade receivables from subsidiaries	2,633,336	730,862
Trade receivables from related parties	27,673	55,737
Other receivables	<u>30,852</u>	<u>12,303</u>
	2,691,861	798,902
Less: allowance for doubtful debts	<u>(490,225)</u>	<u>(613,217)</u>
	<u>2,201,636</u>	<u>185,685</u>

Movement in allowance for doubtful debts for the years ended 31 December 2014 and 2013 is presented as follows:

	2014	2013
At the beginning of the year	(613,217)	(459,795)
Recovered/(accrued) during the year	122,992	(153,474)
Written-off against previously created allowance	<u>-</u>	<u>52</u>
At the end of the year	<u>(490,225)</u>	<u>(613,217)</u>

As at 31 December 2014 and 2013 trade and other receivables are denominated in following currencies:

	31 December 2014	31 December 2013
U.S. dollars	2,176,386	185,685
Tenge	<u>25,250</u>	<u>-</u>
	<u>2,201,636</u>	<u>185,685</u>

## 12. SHORT-TERM FINANCIAL INVESTMENTS

As at 31 December 2014 and 2013, short-term financial investments represented bank deposits at JSC Tsesna Bank and JSC ATF bank. Deposits mature in 12 months and bear an annual interest rate in the range of 5-9% (2013: 5%).

For 2014 accrued interest amounted to 1,249,725 thousand tenge (2013: 82,238 thousand tenge).

As at 31 December, short-term financial investments were denominated in the following currencies:

	31 December 2014	31 December 2013
U.S. dollars	27,761,936	20,110,038
Tenge	200,000	-
	<u>27,961,936</u>	<u>20,110,038</u>

## 13. OTHER CURRENT ASSETS

	31 December 2014	31 December 2013
Receivables from related parties for penalties and fines on loans given	594,314	97,810
Prepaid expenses	21,327	57,964
Short-term advances to third parties	10,134	19,990
Short-term advances to related parties	2,887	1,212
Guarantees as the security of execution of the contracts	-	91,441
Interest receivable	-	22,443
	<u>628,662</u>	<u>290,860</u>
Less: allowance for doubtful debts	<u>(278,286)</u>	<u>(60,286)</u>
	<u>350,376</u>	<u>230,574</u>

Movement in allowance for doubtful debts for the years ended 31 December 2014 and 2013 is presented as follows:

	2014	2013
At the beginning of the year	(60,286)	-
Accrued during the year	(220,000)	(60,286)
Written-off against previously created allowance	2,000	-
At the end of the year	<u>(278,286)</u>	<u>(60,286)</u>

As at 31 December 2014 and 2013 other current assets are denominated in tenge.

During 2014 the Company accrued fines in the amount of 220,000 thousand tenge for the delay of interest free loan repayment as per the contract terms (Note 9) of Loan given to Kazakhstan ASELSAN engineering LLP. The Company accrued allowance for this receivable for the full amount, since management of the Company expects that this amount will not be recovered.

## 14. CASH

	31 December 2014	31 December 2013
Cash on bank accounts in tenge	7,133,194	6,199,024
Cash on bank accounts in U.S. dollars	-	3,082,400
Total	<u>7,133,194</u>	<u>9,281,424</u>



## 15. ASSETS CLASSIFIED AS HELD FOR SALE

In July-August 2014, within privatization plan for 2014-2016 approved by Government of the Republic of Kazakhstan, the Shareholder approved a list of the Company's subsidiaries, associates and joint ventures subject to disposal. Investments, that are expected to be sold in 2015, were classified as assets held for sale in the separate statement of financial position for the amount of 143,980 thousand tenge. It is represented by investment in subsidiaries of 51% in JSC 832 Motor-repair Plant KE and 49% in JSC Omega Engineering Plant (Note 6) and investments in associated companies of 42.13% in JSC ZIKSTO and 49% in Kaz-ST engineering Bastau LLP (Note 7). The Company plans to sell its share in above companies through the auction, to be held in March-April 2015. Management of the Company anticipates that the proceeds from the sale of these assets will exceed its carrying amount and, accordingly, no impairment was recognized upon their classification as held for sale. Management of the Company expects that the sale of 51% in JSC 832 Motor-repair Plant KE and 49% in JSC Omega Engineering Plant will not lead to the loss of control of subsidiaries.

## 16. CHARTER CAPITAL

As at 31 December 2014, authorized, issued and fully paid charter capital of the Company consists of common shares of 21,476,802 shares with par value of 1,000 tenge, each (31 December 2013: 12,101,802 common shares at par value of 1,000 tenge, each).

During 2014 the Company issued additional common shares of 9,375,000 shares with par value of 1,000 tenge each. The issued common shares were purchased by the Committee of property and privatization of the Ministry of Finance of Kazakhstan (hereafter – "Ministry of Finance"). On 15 December 2014, the Ministry of Finance transferred all holding shares of the Company to JSC SWF Samruk-Kazyna.

In 2014 and 2013, the Company declared and paid dividends to the Shareholder in the amount of 652,286 thousand tenge and 678,544 thousand tenge, respectively.

As at 31 December 2014 and 2013, 100% of the Company's shares belong to JSC SWF Samruk-Kazyna.

## 17. ADDITIONAL PAID-IN CAPITAL

As at 31 December 2014 and 2013, additional paid-in capital amounted to 412,406 thousand tenge. Additional paid-in capital included the fair value adjustment on loan received from the Shareholder, net of deferred tax effect.

## 18. DEBT SECURITIES ISSUED

	Maturity	Coupon rate	31 December 2014	31 December 2013
Bonds issued at price of 95.2341% - Tranche 1	6 November 2015	5%	4,534,000	4,534,000
Bonds issued at price of 96.4613% - Tranche 2	6 November 2015	5%	1,200,000	1,200,000
Bonds issued at price of 96.9239% - Tranche 3	6 November 2015	5%	1,000,000	1,000,000
Bonds issued at price of 97.3266% - Tranche 4	6 November 2015	5%	1,885,000	1,885,000
Bonds issued at price of 97.8540% - Tranche 5	6 November 2015	5%	1,765,000	1,765,000
Eurobonds issued at a price of 100%	3 December 2016	4.55%	36,470,000	30,812,000
Including/(less):				
Accrued coupon			202,334	183,026
Transaction costs			(214,374)	(315,935)
Discount on debt securities issued			(176,613)	(323,467)
Total bonds placed			46,665,347	40,739,624
Less: current portion of debt securities issued			(10,409,721)	(183,026)
Non-current portion of debt securities issued			36,255,626	40,556,598

## Local bonds

As part of the objectives of the Group for the development of domestic machine-assembling sector, the Board of Directors (Minutes No.90 dated 26 September 2012) approved the first bond issue in the amount of 15 billion tenge under the Programme for the issuance of local bonds of the Company. Total volume under the Programme for the issuance is 30 billion tenge.

On 7 December 2012, the Company placed 45,340 thousand local unsecured bonds (KZP01Y03E322) with par value of 100 tenge for the amount of 4,534,000 thousand tenge with annual coupon rate of 5% on Kazakhstan Stock Exchange ("KASE"). Coupon on bonds is paid 2 times a year from the date of placement.

During February-April 2013, the Company placed 103,840 thousand bonds with par value of 100 tenge totalling 10,384,000 thousand tenge.

## Eurobonds

As part of the objectives of the Group for the development of domestic machine-assembling sector, by a resolution of the Board of Directors dated 29 August 2013 and 4 November 2013, an issuance of 200 million U.S. dollars Eurobonds was approved.

On 3 December 2013, the Company placed 200 million unsecured bonds (XS0997708051) with a par value of 1 U.S. dollar for a total amount of 200 million US dollars with annual coupon rate of 4.55% on Irish Stock Exchange ("ISE") and Kazakhstan Stock Exchange ("KASE"). Interest on the Eurobonds is payable semi-annually in arrears on 3 June and 3 December in each year, commencing on 3 June 2014.

## 19. TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
Accounts payable to third parties	15,073	562,977
Accounts payable to subsidiaries	14,919	13,785
Accounts payable to related parties	-	639,618
	<u>29,992</u>	<u>1,216,380</u>

As at 31 December 2014 and 2013 trade and other payables are denominated in the following currencies:

	31 December 2014	31 December 2013
Tenge	29,992	1,202,548
U.S. dollars	-	13,832
	<u>29,992</u>	<u>1,216,380</u>

## 20. REVENUE

	2014	2013
Revenue from sale of goods and rendering of services (Note 31)	71,647	4,898,788
Revenue from managerial services	-	380,204
	<u>71,647</u>	<u>5,278,992</u>

During 2013 the Company had sales of helicopters purchased from Eurocopter Kazakhstan engineering LLP and sold to ministries and agencies in the amount of 4,898,787 thousand tenge. Starting from 2014, Eurocopter Kazakhstan engineering LLP obtained a license for implementing its operations, and started to sell its goods directly to customers.

## 21. COST OF SALES

	2014	2013
Services from related parties	71,109	2,558,234
Cost of goods sold	-	2,203,892
Expenses related to rendering of management services	-	256,360
	<u>71,109</u>	<u>5,018,486</u>

For the year ended 31 December 2014, services from related parties represent repair and modernisation of military equipment of 71,109 thousand tenge (2013: 2,558,234 thousand tenge).

## 22. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Payroll and related taxes	1,142,082	677,282
Rent	174,294	154,036
Personnel outsourcing	111,811	97,129
Business trips and representative expenses	105,380	79,566
Depreciation and amortisation	85,397	71,707
Professional services	37,358	83,224
Professional education and qualification development	19,012	12,510
Repair and maintenance	13,648	12,369
Taxes	12,022	67,364
Materials	9,940	20,329
Expenses for a board of directors	9,840	52,253
Communication	6,070	55,669
Security	3,673	6,158
Insurance	2,970	1,675
Utilities	1,417	4,749
Informational services	-	18,835
Other	115,209	48,737
	<u>1,850,123</u>	<u>1,463,592</u>

## 23. PROVISIONS

	2014	2013
(Recovery)/accrual of allowance for doubtful debts (Notes 9, 11, 13)	(471,101)	830,645
Accrual/(recovery) of provision for impairment of investments (Notes 6, 7, 8)	196,280	(15,798)
Accrual/(recovery) of provision for unused vacation	33,276	(122,082)
Provision for employees benefits	3,194	-
Recovery of provision for fines on taxes	-	(90,028)
Recovery of other provisions	-	(48,256)
	<u>(238,351)</u>	<u>554,481</u>

## 24. OTHER INCOME

	2014	2013
Fines and penalties	691,384	94,858
Difference between the carrying value of property, plant and equipment, investment property and inventory and the amount of contribution to subsidiaries (Note 6)	552,501	9,265
Rent income	8,158	41,533
Other	36,209	26,066
	<u>1,288,252</u>	<u>171,722</u>

## 25. FOREIGN EXCHANGE LOSS

On 11 February 2014, the National Bank of the Kazakhstan took the decision to reduce its intervention in setting the tenge exchange rate to U.S. dollar and other major currencies. As a result, the official exchange rate of tenge to U.S. dollar fell to tenge 184.5 as at 13 February 2014, i.e. by 19%. Foreign exchange loss for 2014 mainly arose from debt securities issued, since the major part of it is denominated in foreign currencies (Note 18).

## 26. FINANCE INCOME

	2014	2013
Interest income on current accounts and deposits	1,569,576	440,283
Interest income on loans given (Notes 9 and 31)	770,276	441,636
Amortisation of fair value adjustment on loans given (Note 9)	104,817	381,629
Other	95,567	-
	<u>2,540,236</u>	<u>1,263,548</u>

For the year ended 31 December 2014, interest income on current accounts placed in related party banks (JSC BTA Bank) amounted to 905 thousand tenge (2013: 47,778 thousand tenge) (Note 31).

## 27. FINANCE COSTS

	2014	2013
Interest on issued bonds	2,158,781	708,382
Unwinding of discount on issued bonds	296,591	205,015
Interest on borrowings	-	245,021
Amortisation of fair value adjustment on loans received	-	228,912
Other finance costs	71,208	21,116
	<u>2,526,580</u>	<u>1,408,446</u>

## 28. TAXATION

The income tax rate in the Republic of Kazakhstan, where the Company operates, was 20% in 2014 and 2013.

	2014	2013
Adjustment of current income tax for prior years	-	(225,070)
Deferred income tax benefit	(429,989)	(373,700)
Income tax benefit	<u>(429,989)</u>	<u>(598,770)</u>

Below is the tax effect on major temporary differences, which cause the deferred tax assets and liabilities as at 31 December 2014 and 2013:

	31 December 2014	31 December 2013
<b>Deferred tax assets:</b>		
Loans given	3,813	7,212
Tax losses carried forward	846,699	420,839
Allowance for doubtful debts	153,702	134,301
Allowance for unused vacation, bonuses and other provisions	11,708	12,471
Taxes	4,935	7,358
Total deferred tax assets	<u>1,020,857</u>	<u>582,181</u>

<b>Deferred tax liabilities</b>		
Property, plant and equipment and intangible assets	(44,795)	(36,108)
Total deferred tax liabilities	(44,795)	(36,108)
Net deferred tax assets	976,062	546,073

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

	31 December 2014	31 December 2013
In equity	-	(24,429)
In the statement of profit or loss and other comprehensive income	429,989	373,700

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

	2014	2013
Loss before income tax	(29,880)	(29,590)
Theoretical tax at statutory income tax rate of 20%	(5,976)	(5,918)
Adjustment of current income tax for prior years	-	(225,070)
Tax effect from permanent differences	(424,013)	(367,782)
Income tax benefit	(429,989)	(598,770)

## 29. CONTINGENT LIABILITIES

### *Tax and regulatory environment*

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

### *Legal issues*

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

### *Environmental matters*

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

### *Insurance*

The Company does not insure its production assets, nor does it have third party and employee liability insurance. Since the lack of insurance does not decrease the value of assets or increase liabilities, no provision for possible damages or losses of these assets has been made in these separate financial statements as at 31 December 2014.

### *Market limitation*

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

## 30. FINANCIAL INSTRUMENTS, OBJECTIVES AND FINANCIAL RISK MANAGEMENT

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

### *Capital adequacy management*

Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on (investment) capital, which the Company defines as net operating income divided by total shareholders' equity.

The Company manages its capital adequacy, to ensure that the Company will continue to work as a going concern while maximizing profits for the Shareholder through the optimization of the balance of debt and equity.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed equity requirements.

The Company's capital structure includes net debt (which is comprised of loans, debt securities issued as disclosed in Note 18, after deducting cash and short-term financial investments in Notes 14, 15 and equity of the Company (which is comprised of charter capital, additional paid-in capital and accumulated deficit as disclosed in Notes 16 and 17).

	31 December 2014	31 December 2013
Borrowed funds	46,665,347	40,739,624
Cash and short-term financial investments	<u>(35,095,130)</u>	<u>(29,391,462)</u>
Net debt	11,570,217	11,348,162
Equity	<u>19,731,084</u>	<u>10,608,261</u>
Net debt to equity ratio	58.64%	106.97%

### *Significant accounting policies*

Information about significant accounting policies and methods adopted, including criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2 to the separate financial statements.

### *Financial risk management objectives*

Risk management is an important element of the Company's activity. The Company monitors and manages the financial risks relating to operations of the Company through internal risk reports which analyse 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 Company's risk management policies.

### ***Interest rate risk***

The risk associated with interest rates for the Company 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 Company. This risk is not significant to the Company, since the interest bearing financial assets and liabilities include fixed interest rates.

### ***Currency risk***

The Company is exposed to currency risk on sales and purchases, and borrowings that are denominated in a currency other than the functional currency of the Company, which is the Kazakhstani Tenge. The amounts of the Company's cash, short-term investments and debt securities issued that are denominated in foreign currencies, which are mainly U.S. dollars, are presented in tenge in the separate financial statements. As a result of exchange rate of the tenge against the foreign currency gain or loss arises from exchange rate differences.

Company uses natural hedging, i.e. by balancing operating income and expenses, assets and liabilities. The Company seeks to maintain a ratio of currencies in the debt portfolio, which is close to the ratio of revenue in those currencies, which allows naturally hedge the risks associated with market changes in exchange rates.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company seeks to retain a zero net position of balances which are subject to risk by buying or selling foreign currencies at 'spot' rates when it is necessary to mitigate those short-term imbalances.

The Company seeks to prevent the open currency positions, i.e. provides full coverage of foreign exchange risk, accordingly the direct impact on equity is not expected.

### ***Exposure to currency risk***

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	U.S. dollars	
	31 December 2014	31 December 2013
<b>Financial assets:</b>		
Cash	-	3,082,400
Short-term financial investments	27,761,936	20,110,038
Interest-free financial aid	1,457,297	2,160,081
Trade and other receivable	25,250	-
<b>Financial liabilities:</b>		
Debt securities issued	(36,380,080)	(30,648,766)
Trade accounts payable	-	(13,832)
<b>Net effect</b>	<b>(7,135,597)</b>	<b>(5,310,079)</b>

The following major weighted-average exchange rates applied during the year:

	2014	2013
U.S. dollars	179.19	152.14

### *Sensitivity analysis*

The following table details the Company's sensitivity to 17.37% (2013: 20%) increase and decrease in the value of tenge with respect to U.S. dollars 17.37% (2013: 20%) is the sensitivity rate used when key management assesses and represents reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. The sensitivity analysis includes a) external loans and payables and b) receivables of the Company, where the denomination of the loan or payables/receivables is in a currency other than the currency of the lender or the borrower.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	U.S. dollars	
	31 December 2014	31 December 2013
Profit or loss	(1,239,453)	(1,062,016)

### *Credit risk*

Credit risk arising from non-performing contract terms with the Company'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 Company to the contractors. The Company'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 Company believes that the maximum risk is the sum of its trade and other receivables (Note 11) 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 fulfil its obligations.

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

	31 December 2014	31 December 2013
Within the country	2,176,386	185,685
Outside the country	25,250	-
	<u>2,201,636</u>	<u>185,685</u>

The Company has a policy, providing continuous monitoring to ensure that transactions that are concluded with customers who have an adequate credit history and do not exceed credit limits.

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

As at 31 December 2014 and 2013, distribution of trade receivables by ageing was as follows:

	31 December 2014	31 December 2013
Not overdue	30,852	12,303
Overdue by 3-6 months	27,673	55,737
Overdue by 6-12 months	2,143,111	117,645
Overdue by more than 12 months	490,225	613,217
	<u>2,691,861</u>	<u>798,902</u>



### **Market risk**

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

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company controls the risk related to liquidity management and short-, middle-, and long-term financing according to the Shareholder's requirements. The Company manages liquidity risks by maintaining sufficient reserves, bank loans and available credit lines by means of constant monitoring of budgeted and actual cash flow and comparing of maturity dates of its financial assets and liabilities.

The following tables reflect the contractual terms of the Company on 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 Company may be required to pay. The table includes the cash flows as interest and principal payments.

	Interest	1 month– 1 year	1-5 years	More than 5 years	Total
<b>31 December 2014</b>					
<u>Non-interest bearing:</u>					
Trade and other payables		29,992	-	-	29,992
Other current liabilities		5,620	-	-	5,620
<u>Interest bearing:</u>					
Debt securities issued	4.55-5%	12,510,426	37,790,557	-	50,300,983
	Interest	1 month–1 year	1-5 years	More than 5 years	Total
<b>31 December 2013</b>					
<u>Non-interest bearing:</u>					
Trade and other payables		1,216,380	-	-	1,216,380
Other current liabilities		115,483	-	-	115,483
<u>Interest bearing:</u>					
Debt securities issued	4.55-5%	2,104,172	43,696,664	-	45,800,836

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

	Interest	1 month– 1 year	1-5 years	More than 5 years	Total
<b>31 December 2014</b>					
<u>Non-interest bearing:</u>					
Loans given		1,457,297	-	-	1,457,297
Cash		7,133,194	-	-	7,133,194
Trade and other receivables		2,201,636	-	490,225	2,691,861
<u>Interest bearing:</u>					
Loans given	7.5%	8,602,339	4,168,576	1,876,275	14,647,190
Short-term financial investments	5-9%	29,919,272	-	-	29,919,272
<b>31 December 2013</b>					
<u>Non-interest bearing:</u>					
Guarantees as security of execution of contracts		91,441	-	-	91,441
Loans given		2,200,000	-	-	2,200,000
Cash		9,281,424	-	-	9,281,424
Trade and other receivables		185,685	-	613,217	798,902
<u>Interest bearing:</u>					
Loans given	7.5%	9,010,877	3,793,328	2,448,245	15,252,450
Short-term financial investments	5%	21,041,887	-	-	21,041,887

## Fair value

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 Company'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 Company to calculate the fair value of financial instruments:

### *Cash*

The carrying value of cash equals to their fair value.

### *Short-term financial investments*

Carrying value of bank deposits with a maturity of less than twelve months approximates fair value due to the relatively short maturity of these financial instruments.

### *Trade and other receivables and payables*

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.

**Fair value of assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Management believes that the fair value of the financial assets and liabilities approximates their carrying amounts.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at amortised cost and fair value:

	31 December 2014		31 December 2013	
	Fair value	Carrying value	Fair value	Carrying value
<b>Assets</b>				
Loans to subsidiaries	11,477,816	11,477,816	10,633,516	10,633,516
Loans to a related party	1,457,297	1,457,297	2,692,992	2,692,992
Short-term financial investments	27,961,936	27,961,936	20,110,038	20,110,038
Investment property	-	-	399,590	35,674
Assets classified as held for sale	143,980	143,980	-	-
	<u>41,041,029</u>	<u>41,041,029</u>	<u>33,836,136</u>	<u>33,472,220</u>
<b>Liabilities</b>				
Debt securities issued	<u>45,756,464</u>	<u>46,665,347</u>	<u>41,518,158</u>	<u>40,739,624</u>
	<u>45,756,464</u>	<u>46,665,347</u>	<u>41,518,158</u>	<u>40,739,624</u>

### *Fair value hierarchy*

	Level 1	As at 31 December 2014		Total
		Level 2	Level 3	
<b>Financial assets</b>				
Loans to subsidiaries	-	11,477,816	-	11,477,816
Loans to a related party	-	1,457,297	-	1,457,297
Short-term financial investments	-	27,961,936	-	27,961,936
Assets classified as held for sale	-	-	143,980	143,980
<b>Financial liabilities</b>				
Debt securities issued	45,756,464	-	-	45,756,464

	As at 31 December 2013			Total
	Level 1	Level 2	Level 3	
<b>Financial assets</b>				
Loans to subsidiaries	-	10,633,516	-	10,633,516
Loans to a related party	-	2,692,992	-	2,692,992
Short-term financial investments	-	20,110,038	-	20,110,038
Investment property	-	-	399,590	399,590

**Financial liabilities**

Debt securities issued	41,518,158	-	-	41,518,158
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The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

### 31. RELATED PARTY TRANSACTIONS

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

Transactions with related parties carried out by the Company for the years ended 31 December 2014 and 2013, were generally conducted in the course of normal activity and on terms equivalent to those that prevail in transactions between independent parties.

Receivables from related parties (Note 11) including interest-free financial aid (Note 9), receivable on penalties and fines, guarantees as security of execution of contracts, and advances given (Note 13) less allowance for doubtful debts as at 31 December 2014 and 2013 are presented as follows:

	31 December 2014	31 December 2013
JSC Semey Engineering	4,208,421	5,187,652
JSC Kirov Machinery Plant	2,739,740	2,066,468
JSC Petropavlovsk heavy machinery construction plant	2,411,112	1,962,578
Kazakhstan Aviation Industry LLP	2,250,432	641,602
JSC Tynys	2,014,106	1,658,646
Kazakhstan ASELSAN engineering LLP	1,697,324	2,694,149
JSC S.M. Kirov Plant	1,305,935	1,637,375
JSC Semipalatinsk machinery construction plant	926,343	370,604
JSC Uralsk Plant Zenith	252,562	286,294
JSC 832 Motor-repair Plant KE	73,228	71,628
JSC ZIKSTO	18,095	45,962
Kaz-ST Engineering Bastau LLP	-	44,800
Ministries and agencies	-	91,441
Other	181,533	47,305
Less fair value adjustment	(19,067)	(39,919)
Less allowance for doubtful debts	(2,644,785)	(3,079,748)
	<u>15,414,979</u>	<u>13,686,837</u>

Payables to related parties including loans, guarantees as security of execution of contracts and other payables as at 31 December 2014 and 2013 are presented as follows:

	31 December 2014	31 December 2013
JSC Aviarepair plant No.405	-	667,637
JSC Tynys	-	61,470
ASELSAN Elektronik Sanayi ve Ticaret A.S.	-	1,924
Other	16,415	22,956
	<u>16,415</u>	<u>753,987</u>

For the years ended 31 December 2014 and 2013, the Company received revenue from the sale of goods and rendering services to ministries and agencies in the amount of 71,647 thousand tenge and 4,898,788 thousand tenge, respectively (Note 20).

For the years ended 31 December 2014 and 2013, the Company received finance income from following related parties:

	2014	2013
Kazakhstan ASELSAN engineering LLP	121,420	147,884
JSC BTA Bank (Note 26)	<u>905</u>	<u>47,778</u>
	<u>122,325</u>	<u>195,662</u>

For the years ended 31 December 2014 and 2013, the Company received interest income from subsidiaries in the amount of 770,276 thousand tenge and 441,636 tenge, respectively (Note 26).

Expenditures related to services received and goods purchased from related parties for the years ended 31 December 2014 and 2013 are presented as follows:

	2014	2013
JSC NC Kazakhstan Temir Zholy	174,930	152,131
Private Institution Corporate university Samruk-Kazyna	128,649	97,289
JSC Aviarepair plant No.405	71,110	2,558,234
Kaz-ST Engineering Bastau LLP	69,202	52,530
JSC Airline Euro-Asia Air	5,500	19,955
The united centre of armament controlling systems introduction	-	37,750
JSC Rauan Media Group	-	13,973
JSC Semey Engineering	-	1,337
Other	<u>10,324</u>	<u>10,153</u>
	<u>459,715</u>	<u>2,943,352</u>

For the years ended 31 December 2014 and 2013, compensation to the key management personnel amounted to 203,365 thousand tenge and 177,368 thousand tenge, respectively.

## 32. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements of the Company for the year ended 31 December 2014 were approved and authorized for issue by management on 5 March 2015.