Bayan Sulu JSC

International Financial Reporting Standards
Financial Statements and Independent Auditor's Report

31 December 2011

(Translated from the Russian original)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC Bayan Sulu

We have audited the accompanying financial statements of JSC Bayan Sulu (the "Company") which comprise the balance sheet as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

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

PricewaterhouseCoopers LLP

4 June 2012
Almaty, Kazakhstan

Signed and approved by:

Zhanbota T. Bekenov
Managing Director of PricewaterhouseCoopers LLP
(General State License from the Ministry of Finance of the Republic of Kazakhstan
№ 0000005 dated 21 October 1999)
Auditor in charge (Qualified Auditor's Certificate №0000047 dated 28 February 1994)

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

In thousands of Kazakhstani Tenge	Note	31 December 2011	31 December 2010 (restated)	1 January 2010 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	6,989,597	6,726,316	6,909,403
Investment property	10	460,352	458,710	450,816
Intangible assets	11	1,195,995	1,195,079	1,195,255
Finance lease receivables	12	400,575	293,716	441,278
Other non-current assets	13	30	396,910	19,488
Total non-current assets		**9,046,549**	**9,070,732**	**9,016,240**
Current assets				
Inventory	14	2,853,745	1,981,797	1,966,722
Trade and other receivables	15	1,119,140	1,649,473	1,950,828
Finance lease receivables	12	231,029	147,562	147,964
Cash and cash equivalents	16	3,062,694	2,525,853	516,167
Short-term deposits with original maturity over 3 months		667,800	0	0
Non-current assets held for sale	17	0	278,178	278,178
Total current assets		**7,934,408**	**6,582,862**	**4,859,859**
TOTAL ASSETS		**16,980,957**	**15,653,594**	**13,876,099**
EQUITY				
Share capital	18	9,625,985	9,625,985	1,896,115
Retained earnings		2,675,090	2,076,211	1,400,264
TOTAL EQUITY		**12,301,075**	**11,702,196**	**3,296,379**
LIABILITIES				
Non-current liabilities				
Loans	19	1,041,622	1,326,625	1,779,460
Deferred tax liability	29	641,709	372,683	203,116
Long-term employee benefits	20	84,206	69,138	57,984
Total non-current liabilities		**1,767,537**	**1,768,446**	**2,040,561**
Current liabilities				
Loans	19	1,748,377	1,207,049	6,862,027
Trade and other payables	21	1,066,140	905,165	1,664,359
Other taxes payable	22	97,827	70,737	12,773
Total current liabilities		**2,912,344**	**2,182,952**	**8,539,159**
TOTAL LIABILITIES		**4,679,881**	**3,951,398**	**10,579,720**
TOTAL LIABILITIES AND EQUITY		**16,980,957**	**15,653,594**	**13,876,099**

Approved for issue and signed on behalf of the Board of Directors on 31 May 2012

Traiber Vitaliy Andreyevich
Chairman of the Board of Directors - President

Bashkatova Yuliya Anatoliyevna
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2011	2010 (restated)
Revenue	23	15,240,557	14,393,174
Cost of sales	24	(13,654,393)	(12,753,202)
Gross profit		**1,586,164**	**1,639,972**
Other income/(expenses), net	27	275,186	46,486
Selling expenses	25	(593,555)	(598,485)
General and administrative expenses	26	(453,715)	(391,292)
Operating profit		**814,080**	**696,682**
Finance income	28	341,111	471,619
Finance costs	29	(287,286)	(322,787)
Profit before income tax		**867,904**	**845,514**
Income tax expense	30	(269,026)	(169,567)
PROFIT FOR THE YEAR		**598,879**	**675,947**
Other comprehensive income/(loss) for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**598,879**	**675,947**
Total comprehensive income attributable to the final owner of the Company		598,879	675,947
Basic earnings per share (in Kazakhstani Tenge)	**31**	**13.41**	**26.24**

In thousands of Kazakhstani Tenge	Note	Share capital	Retained earnings	Total equity
Balance at 31 December 2009 (previouslu reported)		**1,896,115**	**1,963,297**	**3,859,412**
Adjustment on the beginning balance	4	-	(593,033)	(593,033)
Balance at 1 January 2010 (recalculated)		**1,896,115**	**1,400,264**	**3,296,379**
Profit/(loss) for the year		-	675,947	675,947
Total comprehensive income for 2010		-	675,947	675,947
Share issue	18	7,729,870	-	7,729,870
Balance at 31 December 2010		**9,625,985**	**2,076,211**	**11,702,196**
Profit/(loss) for the year		-	598,879	598,879
Total comprehensive income for 2011		-	598,879	598,879
Balance at 31 December 2011		**9,625,985**	**2,675,090**	**12,301,075**

In thousands of Kazakhstani Tenge	Note	2011	2010
Cash flows from operating activities			
Proceeds from sales	23,15	17,531,948	14,633,089
Cash proceeds from reimbursement of interest expenses	28	173,030	141,970
Cash payments to suppliers	21	(14,578,195)	(13,280,166)
Payments to employees	21	(813,524)	(807,729)
Other taxes paid	22	(410,796)	(359,287)
Interest paid	29	(206,078)	(227,016)
Net cash from operating activities		**1,696,385**	**100,861**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(815,457)	(452,767)
Purchase of intangible assets	11	(112)	(121)
Capitalisation of interest on borrow ings	9,19	(42,267)	(11,199)
Proceeds from sale of property, plant and equipment	27	32,929	4,281
Prepayments for property, plant and equipment	15	-	(396,880)
Cash on deposit accounts		(667,800)	-
Net cash used in investing activities		**(1,492,707)**	**(856,686)**
Cash flows from financing activities			
Proceeds from borrow ings	19	1,566,551	2,065,423
Proceeds from sale of shares	18	-	2,729,870
Repayment of borrow ings	19	(1,233,388)	(2,029,783)
Net cash used in financing activities		**333,163**	**2,765,510**
Cash and cash equivalents at the beginning of the year		**2,525,853**	**516,167**
Cash and cash equivalents at the end of the year		**3,062,694**	**2,525,852**

1 The Company and Its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2011 for Bayan Sulu JSC (the "Company").

The Company was established on 30 September 1993. The Company was incorporated as a joint stock company (state registration certificate #84-1937-AO) of 14 June 2007. The Company is a joint stock company limited by shares and conducts its activities within the Republic of Kazakhstan and according to the law of the Republic of Kazakhstan. For Information on the number of authorized and outstanding shares refer to Note 18.

As of 31 December 2011 and 2010, the Company's immediate and ultimate parent is KazFoodProducts LLP with ownership of 88.93% (2010: 88.93%) (the "Parent company"). The ultimate controlling parties of the Company are: Baimuratov Erlan – 46%, Sarsenbayev Aidarkhan – 46%, Tulpar Investments LLP – 8%.

Principal activity. The principal activity of the Company is production and wholesale sales of confectionery products, including domestic and export sales, exports of goods purchased from related parties, and sale of other goods within the Republic of Kazakhstan, including flour, wheat, sugar and others.

The Company has a subsidiary which is a separate business unit located outside the place of the Company's location and carrying out all or part of its functions, including representative functions. The subsidiary is not a legal entity. It is endowed with the property of the Company and acts on the basis of the Company's approved regulations.

The subsidiary maintains its accounting records, prepares the financial statements in the prescribed manner, and provides them to the Company and local government authorities. Information on the structural unit is represented by the following:

Subsidiary	Director	Registered address	Date of registration	Number of employees
Almaty subsidiary of Bayan Sulu JSC	Abulgazinov Marlen Alzhanovich	Almatinskaya oblast, Karasay district, Shamalgan station, Suyunbay Street, 1	2 December 2005	4

Registered address and place of business. The Company's registered address is: Republic of Kazakhstan, 110006 Kostanay, 198 Borodin Street. The average number of the Company's employees was 1527 (2010: 1536).

2 Operating Environment

Kazakhstan economy displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The recent global financial crisis has had a severe effect on the economy of the Republic of Kazakhstan and the financial situation in the financial, banking and corporate sectors significantly deteriorated since mid-2008. In 2010-2011, the Republic of Kazakhstan economy experienced a moderate recovery of economic growth. The recovery was accompanied by a gradual increase of household incomes, lower refinancing rates, stabilisation of the exchange rate of the tenge against major foreign currencies, and increased liquidity levels in the banking sector.

The tax, currency and customs legislation within the Republic of Kazakhstanis subject to varying interpretations and frequent changes. The future economic direction of RK is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government of the Republic of Kazakhstan, together with tax, legal, regulatory and political developments of RK.

Management is unable to predict all developments which could have an impact on the Kazakhstani economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of investment properties categorized at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (Note 4).

Functional and presentation currency. The functional and presentation currency of the Company's financial statements is the national currency of the Republic of Kazakhstan – Kazakhstani Tenge ("Tenge"). These financial statements are presented in thousand of Kazakhstani Tenge ("Tenge"), unless otherwise stated. As at 31 December 2011 the exchange rate was 148.4 Tenge to 1 US dollar (2010: 147.4 Tenge).

Financial instruments - key measurement terms. Depending on their classification financial instruments of the Company are carried at fair value or amortized cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Company may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The Company's financial assets fall under loans and receivables category and comprise of accounts receivable (Note 15), finance lease receivables (Note 12), and cash and cash equivalents (Note 16).

3 Summary of Significant Accounting Policies (Continued)

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near future.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognized in profit or loss for the year (as finance income or finance costs) in the period in which they arise.

The Company's financial liabilities fall under "other financial liabilities" category and comprise of trade payables (Note 21), borrowings (Note 19), and other financial liabilities (Note 21).

Initial recognition of financial instruments. Financial instruments are initially recorded at fair value plus transaction costs.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Company derecognises financial assets when (a) the financial assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss of the financial period in which they are incurred.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year.

Depreciation. Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings and constructions	10 – 100
Machinery and equipment	4 - 50
Vehicles	2 - 10
Other	2 - 15

3 Summary of Significant Accounting Policies (Continued)

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is property held by the Company to earn rental income or for capital appreciation, or both and which is not occupied by the Company. Investment property includes assets under construction for future use as investment property.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. Fair value is best evidenced by current prices in an active market for similar property of the same location and condition. If the current prices in an active market are not available, the Company considers information from a variety of sources, including:

(a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties of the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Market value of the Group's investment property is determined based on reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately. Gains or losses on disposal of investment property are calculated as proceeds less carrying amount. Where the Company disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss for the year within net gain from fair value adjustment on investment property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Operating leases. Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Finance lease receivables. Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins), using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease). Discount rate coincides with such interest rate that reduces future cash payments under the finance lease to the asset's fair value at the inception of the lease term.

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within finance income in profit or loss for the year.

3 Summary of Significant Accounting Policies (Continued)

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Company uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Intangible assets. Acquired computer software licences, trademarks and other intangible assets are capitalised on the basis of the costs incurred to acquire and bring them to use. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Computer software licences have definite useful lives and are amortized using the straight-line method over their useful life which is 3-4 years. Trademark has unlimited useful life.

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/benefit comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. he assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis.

The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables except for prepayments and other non-financial receivables are initially carried at fair value and thereon at amortized cost using the effective interest method less any impairment provision.

3 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. Impairment losses are always recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are charged to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

3 Summary of Significant Accounting Policies (Continued)

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Non-current assets held for sale are recorded at the low of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment are not depreciated.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note.

Value added tax ("VAT"). Output VAT related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are carried at amortised cost using the effective interest method.

Capitalisation of borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for their intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2010.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Government grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Government grants relating to costs are deferred and recognised in profit or loss for the year over the period necessary to match them with the costs that they are intended to compensate.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

3 Summary of Significant Accounting Policies (Continued)

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Revenue recognition. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales are shown net of VAT and discounts.

Revenues are measured at the fair value of the consideration received or receivable. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods sold or services delivered.

Employee benefits. Wages, salaries, contributions to the Kazakhstan state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Company.

The Company offers its employees long-term benefits before, during and after retirement in accordance with the provisions of the Collective Agreement. The agreement, in particular, provides for the payment of lump sum benefits upon retirement, an anniversary award, funeral benefit to the Company's employees and retirees and their close relatives. The right to receive certain benefits normally is granted depending on the period of work before retirement and the experience of the employee.

Calculation of the expected cost of lump-sum payment of severance payments is made during the work of an employee in the same manner as the defined benefit plans. Actuarial gains and losses that arise during the year are recognized in profit or loss for the year. For this purpose, actuarial gains and losses include both the effects of changes in actuarial assumptions and the impact of past experience, the differences between the actuarial assumptions and actual data.

Other changes in net surplus or deficit is recognized in profit or loss for the year, including the ongoing costs of services, prior service costs and the impact of reductions or calculations.

The most significant assumptions used in accounting for pension obligations - is the discount rate and the assumption about the level of mortality. The discount rate used to determine the net present value of future liabilities, and each year the abolition of the discount on such obligation relates to the income statement as financial costs. The assumption about the level of turnover is used to predict the future stream of payments of remuneration, which is then discounted for net present value of liabilities.

Liabilities are valued on an annual basis by the Company itself or by independent qualified actuaries.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year. Preference shares are not redeemable and are considered to be participating shares.

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

Non-cash settlements. Part of the purchase and sale transactions is performed with the use of offsets, barter, or other payments in kind. Typically, these operations are conducted in the form of exchange of dissimilar goods or services with the end user (barter) in the form of netting or a chain of non-cash transactions, with the participation of several companies.

Purchases and sales, that are settled by means of planned offsets, barter, or other payments in kind, are recognized based on management's assessment of the fair value of those assets to be received or transmitted as a result of non-cash payments. Fair value is determined based on the open market information.

3 Summary of Significant Accounting Policies (Continued)

In the normal course of business, the Company uses the offsets to finance receivables and operating leases and trade payables for purchases of goods and raw materials from related parties.

Non-cash transactions are excluded from the statement of cash flows. Investing and financing activities, as well as the final result of the operating activities, represent the actual cash flows.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker. Segments whose revenue, result or assets are 10% of all the segments or more are reported separately.

Changes in presentation. The following comparative information has been amended in order to achieve consistency between current and prior periods presented in these financial statements:

(a) 2009 reclassification of the office premises from property, plant and equipment to assets-held-for-sale

In 2009 the Company purchased property item (office premises) to further resell the asset under finance lease arrangement to a party specified in the purchase agreement of such office premises. In 2009 financial statements, the Company recognized this asset within construction in progress. However, in accordance with the accounting policy, the asset should have been classified as held-for-sale, given its compliance with the recognition criteria for asset-held-for-sale. Comparative information has been restated to correct this error. The restatement effect is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2009**
Decrease of property, plant and equipment	848,057
Increase of assets held for sale	848,057

(b) Impairment of assets held for sale in 2009 and reversal of impairment losses recognized by the Company in 2010 in relation to held-for-sale assets

As a result of reclassification of the office premises in 2009 (a), the Company restated its fair value as at 31 December 2009, and in accordance with the accounting policy, the Company recognized impairment loss of the asset in profit or loss for 2009. The impact of the restatement on the comparative information is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2009**
Decrease in assets held for sale	569,879
Decrease of retained earnings	569,879

In the prior period financial statements, in 2010 the Company reclassified the asset from property plant and equipment (construction in progress) to non-current assets held for sale, and, in accordance with the accounting policy, the Company recognized the relevant impairment loss. As a result of restatements made specified in (a) and herein above, the Company reversed all the impairment losses recognized in the prior period financial statements. The impact of this restatement on the comparative information is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2010**
Decrease of impairment losses	175,447
Increase of retained earnings	175,447

3 Summary of Significant Accounting Policies (Continued)

(c) Impairment of investment property in Almaty in 2009

The Company revised the 2009 fair value estimation of the investment property in Almaty and considered the estimation results to be irrelevant to the asset's fair value since the methodology applied in the prior year did not fully reflect the market conditions of the investment property at the estimation date. The Company restated he asset's fair value and, as a result, recognised impairment loss in 2009. The impact of this restatement on the comparative information is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2009**
Increase of impairment losses	131,424
Decrease of investment property	131,424
Decrease of retained earnings	131,424

(d) Initial recognition of long-term employee benefit obligations

Based on the terms of the Collective Agreement signed by the Company and Bayan Sulu JSC trade union in 2009, at 31 December 2009 the Company had employee benefit liabilities mainly represented by retirement benefits and anniversary bonuses. In the prior period financial statements these liabilities were not recognized. Thus, to correct the error, the Company restated the comparative information. The impact of such restatement is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2009**
Increase of long-term employee benefits liability	57,984
Decrease of retained earnings	57,984

In thousands of Kazakhstani Tenge	**Effetct on 2010**
Increase of long-term employee benefits liability	11,154
Increase of other payables	2,552
Decrease of net finance income/(expense)	3,734
Increase of cost of sales	5,461
Increase of general and administrative expense	4,511
Decrease of retained earnings	13,706

(e) Adjustment of deferred tax liability and related expenses on deferred tax liability

As a result of the above restatements ((b) and (c)) and recognition of long-term employee benefit obligations, the Company reassessed its deferred tax liabilities as at 31 December 2010 and 2009. The restated amounts include increase in the Company's deferred tax liability related to:

- Reduction of the assets' carrying value to their fair value while the tax base of such assets corresponds to their cost less accumulation depreciation;
- Initial recognition of long-term employee benefit obligations.

In thousands of Kazakhstani Tenge	**Effetct on 2009**
Decrease of deferred tax liability	192,081
Decrease of income tax expense	192,081
Increase of retained earnings	192,081

3 Summary of Significant Accounting Policies (continued)

The Company also derecognized the deferred tax liability on its intangible assets with unlimited useful life (the trademark) due to the new Tax Code of the Republic of Kazakhstan enacted in 2009, whereby intangible assets with unlimited useful life are not amortised for income tax assessment purposes. The impact of this restatement is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2010**
Decrease of deferred tax liability	191,132
Increase of income tax expense	949
Increase of retained earnings	190,182

f) Finance costs of 2010 adjusted to foreign exchange gains arisen from loans denominated in foreign currency

In 2010, the Company classified its foreign exchange gains on loans denominated in foreign currency as other income/expense. However, under the Company's accounting policy, foreign exchange differences related to loans denominated in foreign currency should be recognized within finance income and costs. To correct this error, the Company restated the comparative information. The impact of such restatement is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2010**
Increase of finance income	213,622
Increase of finance costs	377,118
Decrease in other income/(expense), net	163,496

g) Reclassification of inventory impairment provision reversal from impairment losses to cost of sales and reclassification of bad debt provision reversal from impairment losses to general and administrative expenses

In 2010 the Company classified the reversals of inventory impairment and provision for bad receivables within impairment losses. However, under the Company's accounting policy, creation and reversal of inventory impairment and provision for bad receivables should be included in cost of sales and general and administrative expenses, respectively. To correct this error, the Company restated the comparative information. The impact of such restatement is presented below:

In thousands of Kazakhstani Tenge	**Effetct on 2010**
Increase of impairment losses	41,497
Decrease in cost of sales	7,942
Decrease in general and administrative expenses	33,555

The effect of adjustments related to the restatements due to the prior year errors was as follows on amounts at 31 December 2010:

In thousands of Kazakhstani Tenge		**As previously stated**	**Restatement**	**Restated as at 31 December 2010**
Property, plant and equipment	a)	6,726,316	-	6,726,316
Investment property	c)	590,135	(131,424)	458,710
Finance lease receivables - short-term		292,534	1,182	293,716
Finance lease receivables - long-term		146,267	1,295	147,562
Non-current assets held for sale	a),b)	672,610	(394,432)	278,178
Deferred tax liability	e)	563,815	(191,132)	372,683
Liability on employee benefits	d)	-	69,138	69,138
Retained earnings	b), c), d), e)	2,480,149	(403,938)	2,076,211

3 Summary of Significant Accounting Policies (Continued)

The effect of reclassifications and adjustments of prior year misstatements for presentation purposes was as follows on amounts at 1 January 2010:

In thousands of Kazakhstani Tenge		As previously stated	Restatement	Restated as at 31 December 2010
Property, plant and equipment	a)	7,757,460	(848,057)	6,909,403
Investment property	c)	582,240	(131,424)	450,816
Finance lease receivables - short-term		438,801	2,477	441,278
Finance lease receivables - long-term		146,267	1,697	147,964
Non-current assets held for sale	a),b)	-	278,178	278,178
Deferred tax liability	e)	395,197	(192,081)	203,116
Liability on employee benefits	d)	-	57,984	57,984
Retained earnings	b), c), d), e)	1,963,297	(563,033)	1,400,264

The effect of reclassifications and adjustments of prior year misstatements for presentation purposes was as follows on amounts of statement of comprehensive income for 2010:

In thousands of Kazakhstani Tenge		As previously stated	Restatement	Restated as at 31 December 2010
Decrease of cost of goods sold	d),g)	12,755,683	(2,481)	12,753,202
Decrease of other income/expense, net	a),b),f)	74,032	(27,546)	46,486
Decrease of general and administrative expenses	d),g)	419,891	(28,599)	391,292
Increase of finance income	f)	96,198	375,421	471,619
Increase of finance costs	f)	105,431	217,356	322,787
Increase of expense on income tax	b),c),d),e)	168,618	949	169,567
Increase of net income for the year		516,852	159,095	675,947

In thousands of Kazakhstani Tenge	As previously stated	Restatement	Restated as for 2010 year
Basic earnings per share (in tenge per share)	20.07	20.77	26.24

The third statement of financial position as of 1 January 2010 is presented in these financial statements as a result of the above described changes in presentation. This requirement to present the additional opening statement of financial position, when the entity has made a restatement or reclassification, extends to the information in the related notes. Management considered materiality and concluded that it is sufficient for an entity to present such information only in those notes that have been impacted by a restatement or a reclassification and state in the financial statements that the other notes have not been impacted by the restatement or reclassification.

The reclassifications in the statement of financial position had an impact on information in notes 9, 10, 17, 20, 29 and had no impact on any other captions in the statement of financial position and related note disclosures. Consequently, management decided that there was no need to present relevant notes to them.

Amendments to the financial statements after issue. Any changes to these financial statements after their issue require approval of the Company's General Meeting of Shareholders.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include

Useful lives of property, plant and equipment. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If the estimated useful lives of assets differed by 10% from management's estimates, depreciation for the year would have increased by Tenge 67,357 thousand, or reduced by Tenge 67,357 thousand for the year ended 31 December 2011 (2010: increase by Tenge 48,495 thousand/ decrease by Tenge 48,495 thousand).

Intangible assets with unlimited useful lives. The Company is considering Bayan Sulu trademark as an intangible asset with unlimited useful life. The reasons for this judgment are as follows:

- there are no legal provisions or requirements that limit the tenure of the Company's right to use the trademark in its operating activities,
- trademark is an integral part of the confectionery segment, and provides recognition of the Company's products in the vast market of Kazakhstan, Russia and the CIS, in fact, providing the Company's confectionery market - at the expense of established preferences of consumers who are familiar with this brand for many years,
- there are no conditions that lead to the fact that the Company could not use the brand after a certain period of time or dispose it to any third party, or otherwise indicate deterioration of the brand and the possibility of termination of benefits associated with its use.

Impairment of Property, Plant and Equipment and Intangible Assets. The Company's confectionery segment includes property, plant and equipment and intangible assets with unlimited useful life (trademark) and represents the Company's basic cash generating units ("CGU"). Carrying value of property, plant and equipment is tested for impairment at least once in 3 years under the Company's accounting policy. At each reporting date the Company reviews its property, plant and equipment for impairment if there is any indication that the carrying amount may not be recoverable. If any impairment exists, the carrying value of the assets is reduced to their recoverable amount.

Trademark, in accordance with the Company's accounting policy, is reviewed for impairment annually.

Since property, plant and equipment and the trademark represent a single CGU, such CGU is reviewed for impairment annually and its recoverable value is based on the calculation of value in use of the assets included in the CGU. The value in use calculation applied cash flows projections based on the financial budgets approved by management for a 5-year period. Cash flows beyond the five-year period were extrapolated taking into account the projected growth rate corresponding to the forecasted overall inflation rate in the Republic of Kazakhstan. The growth rate does not exceed the long-term average growth rate projected for the industries in which the CGU operates.

The following are the assumptions which underlie the value in use calculation and to which recoverable value is the most sensitive:

	2011
Growth rates in accordance with the five-year financial budget	15.3%
Discount rate (before tax)	15.1%

Management determines the estimated planned profits on the basis of the results of the previous period, and their expectations for market development, also considering plans to increase production in connection with access to new markets and enhance product quality.

4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Based on the testing results, as at 31 December 2011 no indications of impairment in the confectionery segment CGU have been identified.

The application of IAS 36 requires the extensive judgment on the part of management regarding the assumptions and estimates related to future cash flows and the discount rate. Taking into account the nature of the current global economic environment, such assumptions and estimates, ultimately, have a high level of uncertainty associated with them. Accordingly, assumptions, significantly different from the assumptions used by management, can lead to different results.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Company from 1 January 2011:

Amendment to IAS 24, Related Party Disclosures **(issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).** IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Company now also discloses contractual commitments to purchase and sell goods or services to its related parties.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The above standards and interpretations did not significantly affect these financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2012 and which the Company has not early adopted.

(i) *Standards, amendments and interpretations to existing standards that are not yet effective and are relevant for the Company*

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.

It replaces the disclosure requirements currently found in IAS 28, Investments in Associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

IFRS 13, Fair Value Measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

6 New Accounting Pronouncements (Continued)

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the IASB project on joint ventures. When discussing that project, the IASB decided to incorporate the accounting for joint ventures using the equity method into IAS 28 since this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company expects the amended standard to change presentation of its financial statements, but have no impact on measurement of its transactions and balances.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective or relevant for the Company

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and IFRIC 12, Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31, Interests in Joint Ventures, and IFRIC 13, Jointly Controlled Entities - Non-Monetary Contributions by Ventures. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Other revised standards and interpretations: The amendments to IFRS 1, First-Time Adoption of IFRS, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, the amendment to IAS 12, Income Taxes, which introduces a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, and IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, which considers when and how to account for the benefits arising from the stripping activity in mining industry, will not have any impact on these financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

7 Segment Information

Operating segments are the Company's components that are engaged in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the CODM (chief operating decision maker) and for which discrete financial information prepared under IFRS is available. The functions of CODM are performed by the president of the ultimate parent company.

(a) Products and services generating revenue for each reportable segment

The Company is organised on the basis of two main reportable segments:

- Segment 1 – representing production and sales of confectionery products
- Segment 2 – representing sales of goods purchased from related parties (flour, wheat and other).

(b) Factors used by management to identify the reportable segments

The Company's segments are strategic business units focused on different customers. They are managed separately since each business unit requires different marketing strategies and service level. The segment financial information reviewed by the CODM comprises the results of the Company's continuing operations.

(c) Measurement of operating segment profit or loss, assets and liabilities

Operating segments are reported in a manner consistent with the internal reports submitted to the parent's CODM. Operating segments are independent from each other and not aggregated. Assets and other information of the reportable segments are the same as disclosed in these financial statements.

The CODM evaluates performance of each segment based on its gross profit.

(d) Information about reportable segment profit or loss, assets and liabilities

Information of the reportable segments for the years ended 31 December 2011 and 2010 is set out below:

In thousands of Kazakhstani Tenge	Segment 1 Confectionery	Segment 2 Sales of goods	Total
2011			
Sales to external customers	12,056,251	3,184,306	**15,240,557**
Total segment revenue	**12,056,251**	**3,184,306**	**15,240,557**
Cost of sales to external customers	(10,444,497)	(3,209,896)	**(13,654,393)**
Gross profit/(loss) of the segment	**1,611,754**	**(25,591)**	**1,586,164**

The Company's assets comprise of assets of confectionery segment. Depreciation expenses, interest expenses and interest income are also related to the given segment.

7 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Segment 1 Confectionery	Segment 2 Sales of goods	Total
2010			
Sales to external customers	10,638,052	3,755,123	**14,393,174**
Total segment revenue	**10,638,052**	**3,755,123**	**14,393,174**
Cost of sales to external clients	(9,271,653)	(3,481,549)	**(12,753,202)**
Gross profit of the segment	**1,366,399**	**273,573**	**1,639,972**

e) Analysis of revenues by product and service

The Company's revenues are analysed by product and service in Note 23 (Revenue).

(f) Analysis of revenue by geographical segment

Presented below is the revenue analysis by geographical segment:

In thousands of Kazakhstani Tenge	2011	2010
Kazakhstan	9,246,087	9,245,690
Russia	2,520,853	1,703,346
Other countries	3,473,617	3,444,138
Total revenue	**15,240,557**	**14,393,174**

(g) Major customers

Revenues from customers which represent 10% or more of the total revenues for 2011 and 2010 are as follows:

In thousands of Kazakhstani Tenge	Segment 1 Confectionery	Segment 2 Sales of goods	Total
2011			
InterFoodTrade LLP (Kazakhstan)	5,828,084		**5,828,084**
Bayan Sauda LLP (Kazakhstan)	3,490,349		**3,490,349**
Habib Ruman CO LTD (Turkmenistan)		1,133,919	**1,133,919**
Naziren Ltd. (Turkmenistan)		860,180	**860,180**
Nuri Dilshod Ltd. (Turkmenistan)		510,516	**510,516**
Total revenue for 2011	**9,318,432**	**2,504,614**	**11,823,047**

7 Segment Information (Continued)

In thousands of Kazakhstani Tenge	Segment 1 Confectionery	Segment 2 Sales of goods	Total
2010			
InterFoodTrade LLP (Kazakhstan)	8,349,646		**8,349,646**
Ruslada Ltd.	1,507,358		**1,507,358**
Habib Ruman CO LTD (Turkmenistan)		891,912	**891,912**
Naziren Ltd. (Turkmenistan)		657,791	**657,791**
Nuri Dilshod Ltd. (Turkmenistan)		644,938	**644,938**
Total revenue for 2010	**9,857,004**	**2,194,641**	**12,051,644**

8 Related Party Transactions and Balances

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2011 the outstanding balances with related parties were as follows:

In thousands of Kazakhstani Tenge	Note	Parent company	Entities under common control	Other related parties	Key management personnel	Total
Cash and cash equivalents	16,33	-	-	848,410	-	**848,410**
Gross amount of trade receivables	15	-	289,758	-	-	**289,758**
Gross amount of other receivables	15	-	286,920	-	-	**286,920**
Finance lease receivables (effective interest rate: from 8.62% to 38.14%)	12	-	293,716	337,888	-	**631,604**
Other assets		-	30	-	-	**30**
Interest-free borrowings	19	204,335	-	-	-	**204,335**
Trade and other payables	21	38,000	102,131	23,799	1,204	**165,135**
Provisions for liabilities and charges		-	-	-	4,502	**4,502**

Other related parties are companies that are under the influence of the ultimate controlling party of the Company as disclosed in Note 1.

Balances of cash and cash equivalents represent the balances on current account, opened in AKB Credit Partnership LLP (Notes 16 and 32).

Interest free loans are short-term financial assistance from the parent company to provide short-term operating needs of the Company in cash. The Company did not give out financial and other guarantees in respect of its related parties. In accordance with the terms of the loan agreement (Note 19), the Company provided its assets as collateral for loans to related parties. Information is disclosed in Note 9.

8 Related Party Transactions and Balances (Continued)

Receivables from finance leases with related parties in amount of 80,129 thousand tenge has been delayed (Note 12), but was not individually impaired. Other financial assets were neither past due nor impaired (Notes 12, 15, 16, 32).

The income and expense items with related parties for the year ended 31 December 2011 were as follows:

In thousands of Kazakhstani Tenge	Note	Parent company	Entities under common control	Other related parties	Total
Sales of goods	23	-	3,457,889	5,856,327	**9,314,215**
Rental income	27	28,929	28,907	-	**57,835**
Other operating income	27	-	304,040	-	**304,040**
Compensation of losses from sales of goods of related parties	27		142,662	-	**142,662**
Interest income on Finance lease	28	-	36,112	59,710	**95,822**
Purchase of raw materials and consumables	21	-	3,993,610	448,908	**4,442,519**
Advertising services	25	33,929	-	-	**33,929**

Sales of goods are represented by sales of confectionery to Bayan Sauda LLP – the main buyer within the Republic of Kazakhstan. Other operating income includes fees and penalties on breach of contract terms of supply of raw materials, and also penalties for non-compliance with the contractual volumes of purchases by Bayan Sauda LLP.

Outstanding balances with related parties as of 31 December 2010 are as follows:

In thousands of Kazakhstani Tenge	Note	Parent company	Entities under common control	Other related parties	Key management personnel	Total
Cash and cash equivalents	16,33	-	-	1,867,433	-	**1,867,433**
Gross amount of trade receivables	15	-	611,652	-	-	**611,652**
Finance lease receivables (effective interest rate: 8.62%)	12	-	441,278	-	-	**441,278**
Impairment provisions for finance lease receivables at 31 December	12	-	-	-	-	**-**
Prepayments on supply of goods	15	-	421,000	-	-	**421,000**
Other assets		-	30	-	-	**30**
Trade and other payables	21	-	-	-	1,248	**-**
Provisions for liabilities and charges		-	-	-	3,181	**3,181**

The income and expense items with related parties for the year ended 31 December 2010 were as follows:

In thousands of Kazakhstani Tenge	Note	Parent company	Entities under common control	Other related parties	Total
Sales of goods	23	-	-	9,330,256	**9,330,256**
Rental income	27	28,929	25,565	-	**54,494**
Interest income on Finance lease	27	-	49,314	-	**49,314**
Issue of shares	18	5,000,000	-	-	5,000,000
Purchase of raw materials and consumables	21	-	3,559,389	894,840	**4,454,229**
Advertising services	25	-		82,743	**82,743**

8 Related Party Transactions and Balances (Continued)

Information on key management compensation is presented below:

In thousands of Kazakhstani Tenge		2,011 Expenses	2,011 Accrued liability	2,010 Expenses	2,010 Accrued liability
Short-term benefits:					
- Salary	21	52,611	-	52,831	-
- Short-term bonuses		3,447	-	3,747	-
Other long-term emplyee benfits:	*20*				
- Severance payments		-	1,314	-	1,039
- Jubilee benefits		-	6	-	(3)
Total		**56,057**	**1,320**	**56,578**	**1,036**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

9 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani Tenge	Note	Land	Buildings and facilities	Machinery and equipment	Transport	Other	Construction -in Progress	Total
Cost at 1 January 2010, recalculated		35,097	1,453,159	6,052,488	174,888	228,749	126,334	8,070,715
Accumulated depreciation		-	(61,795)	(967,951)	(61,973)	(69,593)	-	(1,161,312)
Carrying value at 1 January 2010, recalculated		**35,097**	**1,391,364**	**5,084,538**	**112,915**	**159,156**	**126,334**	**6,909,403**
Additions		-	62,672	49,711	-	1,363	364,488	478,235
Capitalised borrowings costs	29	-	-	-	-	-	11,199	11,199
Transfer from one category to another		-	28,840	378,778	6,785	22,435	(436,838)	-
Disposals		-	(39,706)	(24,936)	(2,009)	(4,368)	-	(71,019)
Depreciation charge		-	(25,947)	(543,902)	(17,047)	(31,672)	-	(618,568)
Cost at 31 December 2011		35,097	1,504,965	6,456,042	179,664	248,179	65,183	8,489,130
Accumulated depreciation		-	(87,742)	(1,501,165)	(77,011)	(96,897)	-	(1,762,814)
Carrying value at 31 December 2011		**35,097**	**1,417,223**	**4,954,877**	**102,654**	**151,282**	**65,183**	**6,726,316**
Additions		-	11,486	71,457	936	4,873	863,207	951,960
Capitalised borrowings costs	29	-	-	-	-	-	42,267	42,267
Transfer from one category to another		-	22,021	660,160	41,833	20,151	(744,166)	-
Disposals		-	(19,860)	(3,356)	-	(116)	(2,693)	(26,025)
Depreciation charge		-	(32,916)	(619,768)	(17,789)	(34,447)	-	(704,920)
Cost at 31 December 2011		35,097	1,517,920	7,177,972	222,434	267,825	223,799	9,445,046
Accumulated depreciation		-	(119,965)	(2,114,603)	(94,800)	(126,082)	-	(2,455,450)
Carrying value at 31 December 2011		**35,097**	**1,397,954**	**5,063,369**	**127,634**	**141,743**	**223,799**	**6,989,597**

Construction in progress consists of construction of finished goods warehouse #3 of Tenge 110,647 thousand, construction of the auxiliary facilities for transport of Tenge 49,789 thousand, and equipment under installation. Upon completion, these assets are transferred to buildings and facilities and equipment. Additions to construction in progress include capitalised borrowing costs of Tenge 42,267 thousand (2010: Tenge 11,199 thousand). The capitalisation rate was 10.3 % (2010: 11.2 %).

At 31 December 2011 property, plant and equipment carried at Tenge 6,943,256 thousand (2010: Tenge 6,281,356 thousand) have been pledged to third parties as collateral for borrowings (Note 12). Among them property, plant and equipment carried at Tenge 250,258 thousand have been pledged to third parties as collateral for borrowings of a related party (Note 8).

Property, plant and equipment and intangible assets included in one CGU (confectionery segment) are tested for impairment periodically. At 31 December 2011 no impairment was noted (Note 4).

10 Investment Property

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10	31-Dec-09
Investment properties at fair value at 1 January		**458,710**	**450,816**	**83,373**
Additions		-	-	501,331
Expenditure on subsequent improvements		37	-	-
Profit less loss on revaluation at fair value		1,606	7,894	(133,888)
Investment properties at fair value at 31 December		**460,353**	**458,710**	**450,816**

11 Intangible Assets

In thousands of Kazakhstani Tenge	Note	Acquired software license	Trademarks	Total
Cost at 1 January 2010		2,027	1,194,690	**1,196,717**
Accumulated amortisation		(1,463)	-	**(1,463)**
Carrying amount at 1 January 2010		**564**	**1,194,690**	**1,195,255**
Additions		121	-	**121**
Amortisation charge		(296)	-	**(296)**
Cost at 31 December 2010		2,148	1,194,690	**1,196,838**
Accumulated amortisation		(1,759)	-	**(1,759)**
Carrying amount at 31 December 2010		**389**	**1,194,690**	**1,195,080**
Additions		1,271	-	**1,271**
Amortisation charge		(354)	-	**(354)**
Cost at 31 December 2011		3,419	1,194,690	**1,198,109**
Accumulated amortisation		(2,113)	-	**(2,113)**
Carrying amount at 31 December 2011		**1,306**	**1,194,690**	**1,195,997**

Bayan Sulu trademark does not have a definite useful life and is used by the confectionery segment – the main production segment of the Company. The Company periodically re-registers its rights for the given trademark and other commercial labels of its products according to the requirements of the legislation of the Republic of Kazakhstan. This provides the Company with the rights of using these trademarks.

Trademark is included in the confectionery segment and periodically tested for impairment within the respective CGU. At 31 December 2011 no impairment was noted (Note 4).

12 Finance Lease Receivables

Since 2007 the Company is involved in the financial lease activity as a lesser. The Company leases agricultural and other equipment, vehicles, investment property to related parties under contracts of medium-and long-term financial leases.

Finance lease receivables (gross investments to be leased) and their present values are as follows:

In thousands of Kazakhstani Tenge	Due in 1 year	Due between 2 and 5 years	Due after 5 years	Total
Finance lease receivables at 31 December 2011	**358,340**	**533,007**	**470,672**	**1,362,019**
Unearned finance income	127,311	347,642	255,461	730,414
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 31 December 2011	**231,029**	**185,364**	**215,211**	**631,604**
Finance lease receivables at 31 December 2010	**183,675**	**326,541**	**-**	**510,216**
Unearned finance income	36,113	32,825	-	68,938
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 31 December 2010	**147,562**	**293,716**	**-**	**441,278**
Finance lease receivables at 1 January 2010	**197,278**	**510,216**	**-**	**707,494**
Unearned finance income	49,314	68,938	-	118,251
Impairment loss provision	-	-	-	-
Present value of lease payments receivable at 1 January 2010	**147,964**	**441,278**	**0**	**589,243**

The primary factor that the Company considers in determining whether receivables are impaired is their overdue status. As a result, the Company presents below an ageing analysis of finance lease receivables that are individually determined to be not impaired in view of agreements for repayment of liabilities in the nearest future.

In thousands of Kazakhstani Tenge	31-Dec-11	31-Dec-10	31-Dec-09
Neither past due nor impaired finance lease receivables - exposure to:			
- Related parties	551,476	441,278	589,243
Total neither past due nor impaired	**551,476**	**441,278**	**589,243**
Past due but not impaired:			
- less than 30 days overdue	40,064	-	-
- 181 to 360 days overdue	40,064	-	-
Total past due but not impaired	**80,129**	**-**	**-**
Total finance lease receivables	**631,604**	**441,278**	**589,243**

12 Finance Lease Receivables (Continued)

The finance lease receivables are effectively collateralized by the leased assets as the right to the asset reverts to the Company in case of the counterparty's default.

Finance lease receivables are overdue but not impaired due to the existing arrangement for repayment of these liabilities in the nearest future. Impairment of the receivables is insignificant, therefore, it is not recognised by the Company.

In thousands of Kazakhstani Tenge	31-Dec-11	31-Dec-10	31-Dec-09
Finance lease receivables collateralised by:			
- residential real estate	337,888	-	-
- equipment and vehicle	293,716	441,278	589,243
Total finance lease receivables	**631,604**	**441,278**	**589,243**

At 31 December 2011 the estimated fair value of finance lease receivables was Tenge 761,859 thousand (2010: Tenge 374,493 thousand). The fair value was determined by discounting expected cash flows using mid-market interest rate of 20%per annum (2010: 21%).

13 Other Non-Current Assets

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Prepayments for property, plant and equipment		-	396,880
Other		30	30
Total other non-current assets		**30**	**396,910**

14 Inventory

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Raw materials		1,715,314	1,505,098
Work in progress		26,575	52,830
Finished goods		277,946	278,841
Goods for resale		653,691	648
Other		229,314	180,830
Provision for impairment		(49,094)	(36,449)
Total inventory		**2,853,745**	**1,981,797**

Goods for resale include stocks of 3d grade wheat purchased for further resale to related parties within the Republic of Kazakhstan, and 1st grade flour for resale.

In 2011 the Company recognized additional impairment of inventory of Tenge 12,644 thousand due to cease of the production of some types of confectionery (2010: reversed the previous inventory impairment of Tenge 7,942 thousand). The Company used all inventory previously recognised as impaired its operating activities. The amount reversed has been included in cost of sales within profit or loss for the year.

15 Trade and Other Receivables

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Trade receivables		553,058	1,096,849
Other financial receivables		311,619	47,424
Less: impairment provision		(3,759)	(7,338)
Total financial assets within trade and other receivables		**860,918**	**1,136,935**
Other receivables		7,466	9,181
Prepayments		251,451	504,752
Less: impairment provision		(695)	(1,396)
Total trade and other receivables		**1,119,140**	**1,649,473**

Trade receivables of 269,589 thousand Tenge (2010: 294,945 thousand Tenge) are denominated in foreign currency, including 30% denominated in Russian Roubles (2010: 12%) and 19% - in US Dollars (2010: 17%).

Other financial receivables include outstanding invoices for damage compensation from sale of related party goods, accrued interest and penalties for noncompliance with contractual obligations by related parties (Note 8), and outstanding accrued interests on deposits, due from counterparties under operating lease contracts.

Prepayments mainly comprise of the advances given to foreign raw material suppliers and to related parties for purchase of raw materials and goods for resale.

Movements in the impairment provision for trade and other receivables are as follows:

	2011		2010	
In thousands of Kazakhstani Tenge	Trade receivables	Prepayments	Trade receivables	Prepayments
Provision for impairment at 1 January	**(7,338)**	**(1,396)**	**(40,846)**	**(1,443)**
Recovery of impairment	3,579	701	33,508	47
Provision for impairment at 31 December	**(3,759)**	**(695)**	**(7,338)**	**(1,396)**

15 Trade and Other Receivables (Continued)

Ageing analysis of trade and other receivables is as follows:

	2011		2010	
In thousands of Kazakhstani Tenge	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired - exposure to				
- Related aprties	283,096	293,587	611,652	-
- Foreign companies	247,365	-	306,059	-
- Large Kazakhstani companies	-	-	119,417	-
- Commercial banks on accrued interest on deposits	-	16,257	-	45,187
- Other debtors	-	1,776	-	2,237
Total neither past due nor impaired	**530,461**	**311,619**	**1,037,128**	**47,424**
Past due but not impaired				
- over 360 days overdue	16,553	-	-	-
Total past due but not impaired	**16,553**	**-**	**-**	**-**
Individually determined to be impaired (gross):				
- 30 to 90 days overdue	6,029	-	105	-
- 91 to 180 days overdue	-	-	59,611	-
- 181 to 360 days overdue	4	-	3	-
- over 360 days overdue	10	-	3	-
Total indiviually impaired	**6,044**	**-**	**59,721**	**-**
Less: impairment provision	**(3,759)**	**-**	**(7,338)**	**-**
Total	**549,299**	**311,619**	**1,089,511**	**47,424**

16 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Cash on hand		348	374
Bank balances payable on demand	8, 32	1,585,321	1,872,779
Term deposits with original maturity of less than three months		1,477,025	652,700
Total cash and cash equivalents		**3,062,694**	**2,525,853**

Credit risk analysis on this item is presented in Note 32.

	2011		2010	
In thousands of Kazakhstani Tenge	Bank balances payable on demand	Term deposits	Bank balances payable on demand	Term deposits
Neither past due nor impaired				
- BBB stable	736,867	1,477,025	5,258	652,700
- B stable	43	-	88	-
- Without rating	848,410	-	1,867,433	-
Total	**1,585,321**	**1,477,025**	**1,872,779**	**652,700**

Balance of cash and cash equivalents of Tenge 848,410 thousand as of 31 December 2011 (2010: Tenge 1,867,433 thousand) is cash at settlement account opened in AKB Credit Partnership LLP which is a legal entity operating according to the Law of the Republic of Kazakhstan On Credit Partnerships of 28.03.2003 # 400-II (Notes 8 and 32).

17 Non-Current Assets Classified as Held for Sale

In thousands of Kazakhstani Tenge	Note	31-Dec-11	12-Dec-10 (restated)
Non-current assets classified as held for sale			
- Construction in progress	12	-	278,178
Total non-current assets classified as held for sale		**-**	**278,178**

At the beginning of the reporting period, non-current assets held for sale included the object of property (office premises) which was purchased for the purpose of transfer to finance lease and which was actually transferred to finance lease in 2011 (Note 12).

18 Share Capital

In thousands of Kazakhstani Tenge	Number of outstanding shares	Ordinary shares	Total
At 1 January 2010	**6,666,667**	**1,896,115**	**1,896,115**
New shares issued	37,993,333	7,729,870	**7,729,870**
At 31 December 2010	**44,660,000**	**9,625,985**	**9,625,985**
New shares issued	-	-	-
At 31 December 2011	**44,660,000**	**9,625,985**	**9,625,985**

The total number of authorised ordinary shares is 100,000,000 (2010: 100,000,000 shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

In 2010, 33,333,333 outstanding shares were paid by offsetting the liabilities on borrowings from the parent of Tenge 5,000,000 thousand. The placement price of shares acquired by the shareholder under pre-empting right was set by the Board of Directors as Tenge 150 per share (Note 8). The remaining part of shares placed in 2010 was paid by cash, with placement price of Tenge 586 at the average.

According to the Law on Joint Stock Companies of the Republic of Kazakhstan dated 13.05.2003 # 415-II, the term 'nominal price' is not used, instead the term 'placement price' is used. The placement price is set by the Board of Directors and is a minimum price at which the placement of shares is possible.

Dividends were not declared during the year in connection with the decision of the General Meeting of Shareholders to allocate the 2011 retained earnings to the production development.

Preference shares were not issued.

As the Company issued only ordinary shares, all shareholders have equal rights. There are no preferences, limitations related to the corresponding type or category of shares, including those related to allocation of dividends and share cost recovery.

According to the requirements of the Listing Rules of Kazakhstan Stock Exchange JSC, the information on carrying value of one ordinary share, calculated as net assets at the reporting date divided by the quantity of placed ordinary shares at the calculation date. In this case, net assets are calculated as total assets less balance of intangible assets and total liabilities of the Company at the reporting date.

	31-Dec-11	31-Dec-10
Carrying value of one ordinary share, in tenge	**248.66**	**235.25**

19 Borrowings

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Short-term borrowings			
Borrowings		1,687,357	1,165,315
Interest payable	28	61,020	41,734
Total short-term borrowings		**1,748,377**	**1,207,049**
Long-term borrowings			
Borrowings		1,041,622	1,326,625
Total long-term borrowings		**1,041,622**	**1,326,625**
Total borrowings		**2,789,999**	**2,533,673**

Loans from Kazkommertsbank JSC

The total loans from KazkommertsBank JSC as of 31 December 2011 are equal to Tenge 2,524,645 thousand. The interest rate is 11%.

The carrying value of the loans from KazkommertsBank JSC approximates their fair value as of 31 December 2011 and 31 December 2010.

Loans and borrowing are obtained by the Company from KazkommertsBank JSC within one credit facility which is secured by property, plant and equipment, investment properties and intangible assets disclosed in Notes 9, 10, 11.

Loans from KazFoodProducts LLP

Total amount of interest-free loans obtained from KazFoodProducts LLP (Parent company) as of 31 December 2011 is Tenge 204,335 thousands (31 December 2010: nil)

Loans from the parent company do not have fixed maturities, thus, they are repayable on demand and are reported as current liabilities.

Carrying value of loans and borrowings approximates their fair value.

20 Long-Term Employee Benefit Obligations

The analysis of present value of long-term employee benefit obligations by type of costs is as follows:

In thousands of Kazakhstani Tenge	31-Dec-11	31-Dec-10 (restated)
Present value of benefits payable by defined payments at the beginning of the year	69,138	57,984
Cancellation of discount on present value	4,251	3,734
Payments made	(2,739)	(2,552)
Current expenses on services	8,394	7,401
Actuarial losses	5,163	2,571
Present value of benefits payable by defined payments at the end of the year	**84,206**	**69,138**

Amounts presented in the statement of financial position and statement of comprehensive income are as follows:

In thousands of Kazakhstani Tenge	31-Dec-11	31-Dec-10 (restated)
Present value of benefits payable by defined payments at the end of the year	84,206	69,138
Net amount of payables	**84,206**	**69,138**
Cancellation of discount on present value	4,251	3,734
Current expenses on services	8,394	7,401
Actuarial losses	5,163	2,571
Expenses related to the results of activities	**17,807**	**13,706**

Unwinding of discount of present value is included in finance costs (Note 29).

Current services expenses and actuarial losses are included in cost of sales and general and administrative expenses (Notes 24 and 26), depending on whether employees associated with such expenses work in the production or administrative department.

20 Long-Term Employee Benefit Obligations (Continued)

The main actuarial assumptions at the reporting date are presented below:

	31-Dec-11	31-Dec-10
Discount rate at 31 December	5.84%	6.60%
Future salary increases	11.25%	11.25%
Average rate of employee turnover	5.39%	5.39%

The rates of employee turnover used for calculation of employee benefits at 31 December 2011 and 2010 were based on the official data of the Kazakhstani actuarial centre.

21 Trade and Other Payables

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Trade payables		879,262	732,366
Other payables		6,680	12,902
Total financial payables within trade and other payables		*885,942*	*745,269*
Accrued employee benefit costs		64,626	63,393
Advances received		15,139	2,776
Provision for unused vacation		78,332	58,779
Accrued provision for finished goods returns		20,281	34,607
Other payables		1,820	342
Trade and other payables		**1,066,140**	**905,165**

Trade payables in amount of Tenge 374,131 thousand (2010: Tenge 282,614 thousand) are denominated in foreign currencies of which 15% - in Euro (2010: 26%) and 15% - in Russian Roubles (2010: 17%).

22 Other Taxes Payable

In thousands of Kazakhstani Tenge	Note	31-Dec-11	31-Dec-10
Other taxes payable within one year comprise:			
Value-added tax		70,019	56,342
Social tax and other taxes		27,808	14,395
Total other taxes payable		**97,827**	**70,737**

23 Revenue

In thousands of Kazakhstani Tenge	Note	2011	2010
Sales of finished goods	8	11,960,975	10,607,388
Revenue from resale of goods	8	3,184,306	3,755,123
Other sales of goods and raw materials		95,276	30,664
Total revenue		**15,240,557**	**14,393,174**

24 Cost of Sales

In thousands of Kazakhstani Tenge	Note	2011	2010
Cost of finished goods sold		10,380,818	9,251,298
Cost of purchased goods sold		3,209,896	3,481,549
Cost of other goods and raw materials sold		63,679	20,355
Total cost of goods sold		**13,654,393**	**12,753,202**

Cost of sales analysis by expense item is presented below:

In thousands of Kazakhstani Tenge	Note	2011	2010
Materials		8,385,175	7,445,270
Salary and related expenses		816,902	792,173
Depreciation of PPE	9	644,456	576,246
Utilities		267,172	238,537
Repair expenses		201,938	176,690
Provision for obsolete inventory	14	12,644	(7,942)
Accrued liability on employee benefits	20	7,242	5,461
Other		17,957	18,363
Opening balance of finished goods		331,670	338,169
Closing balance of finished goods		304,521	331,670
Changes in inventory finished goods	14	27,150	6,498
Total cost of goods sold		**10,380,818**	**9,251,298**

25 Selling Expenses

In thousands of Kazakhstani Tenge	Note	2011	2010
Distribution costs		367,595	313,847
Salary and related taxes		61,741	57,187
Advertising expenses		56,829	141,362
Materials		36,265	27,790
Depreciation	9	18,438	14,256
Examination and certification expenses		12,201	10,265
Expenses on insurance of export creditors		10,473	9,365
Maintenance costs		9,980	7,952
Business travel expenses		7,364	7,224
Other		12,669	9,237
Total selling expenses		**593,555**	**598,485**

For several years, the Company has been a general sponsor of Tobol BT PUC - Kostanay basketball club. The sponsorship provided to Tobol BT PUC was Tenge 5,679 thousand (2010: Tenge 9,000 thousand) and was included in advertising and marketing expenses.

26 General and Administrative Expenses

In thousands of Kazakhstani Tenge	Note	2011	2010
Salary and related taxes		231,931	216,077
Depreciation	9	42,027	28,065
Advertising expenses			
Property tax and other taxes		28,697	24,482
Utilities and maintenance costs		25,888	23,727
Bank fees		24,269	42,235
Provision for unused vacation	21	19,553	(9,150)
Repair expenses		17,790	15,798
Business travel expenses		16,158	11,426
Materials		11,355	9,164
Communication expenses		9,766	8,927
Insurance expenses		7,886	3,382
Audit and consulting services		4,323	11,379
Expenses on long-term employee benefits		6,132	4,511
Recovery of provision for doubtful receivables		(4,280)	(33,555)
Expenses on provision for sales returns		(14,326)	17,049
Other expenses		26,547	17,774
Total general and administrative expenses		**453,715**	**391,291**

The Company is a member of Our City Corporate Fund (the "Fund") which mission is to promote the social and economic development of Kostanay city and Kostanay oblast. The Company provides charity support to implement the Fund's objectives. The charity support provided by the Company was Tenge 2,000 thousand (2010: Tenge 2,000 thousand) and was included in other expenses.

Reversal of provision for sales returns includes decrease in the evaluated returns of confectionary in 2012 which is calculated based on the average percentage of sales returns during the previous three years.

27 Other Income/(Expenses), Net

In thousands of Kazakhstani Tenge	Note	2011	2010
Income from penalty	8	249,145	-
Income from operating rent	8	58,543	55,170
Gain/(loss) on asset disposal		9,771	(43,663)
Loss on impairment		1,605	7,894
Gain/(loss) on foreign exchange		299	(1,991)
Gain on realization of financial instruments		-	46,269
Gain on write down of liabilities		-	173
Other income		(44,178)	(17,367)
Other income/(expenses), net		**275,186**	**46,486**

28 Finance Income

In thousands of Kazakhstani Tenge	Note	2011	2010
Finance income			
Interest income finance lease	12	95,822	49,314
Interest income on bank deposits	16	40,850	45,187
Forex gain/(loss) on borrowings		204,439	377,118
Total finance income		**341,111**	**471,619**

29 Finance Costs

In thousands of Kazakhstani Tenge	Note	2011	2010
Accrued interest on loans	19	286,985	258,600
Reimbursement for interest expense		(173,030)	(141,970)
Forex loss on borrowings		211,348	213,622
Other provisions for liabilities and charges: unwinding of the present value discount and effect of changes in discount rates	20	4,251	3,734
Total finance costs		**329,554**	**333,986**
Less: capitalised finace costs	9	(42,267)	(11,199)
Total finance costs recognised in profit or loss		**287,286**	**322,787**
Total finance income/(costs), net		**53,824**	**148,832**

Finance costs include foreign exchange gains and losses arising from borrowings denominated in foreign currency.

Reimbursement of interest on loans is comprised of two types of the governmental subsidies obtained by the Company:

- Under the Road Map – 2020 Project, Damu Fund grants subsidies in amount of 50-70% of the interest rate fixed under the loan agreement. In 2011 the subsidy amount was Tenge 19,355 thousands (2010: nil).
- Under the program for subsidising entities processing agricultural products, the Ministry of Agriculture of the Republic of Kazakhstan grants subsidies of 80% of interest expense incurred on loans (since September 2011 the amount of compensation was changed to 56.6% of incurred interest expense). In 2011 the amount of Tenge 153,675 thousands was reimbursed under this subsidy (2010: Tenge 141,970 thousand).

30 Income Taxes

(a) Components of income tax expense

Income tax expense comprises of the following:

In thousands of Kazakhstani Tenge	Note	2011	2010
Current income tax		-	-
Deferred income tax charge		269,026	169,567
Income tax expense for the year		269,026	169,567

Current income tax was nil due to the significant tax deductions on property, plant and equipment and investment preferences deductible in the amount of asset's full cost at the year in which such asset is added/purchased given the compliance with the Tax Code of the Republic of Kazakhstan in terms of investment allocation. The amount of such deductions in the reported periods was significant in view of the current capital program on modernization of the Company's production.

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

Table below provides reconciliation of estimated and actual income tax expenses:

In thousands of Kazakhstani Tenge		2011	2010
IFRS profit before income tax		867,904	845,514
Theoretical tax charge at statutory rate of 20% (2010 г.: 20%):		173,581	169,103
Tax effect of items which are not deductible or assessable for taxation purposes:			
- Interest income on finance lease	12	(4,226)	(339)
- Non-deductible expenses		99,671	803
Income tax for the year		269,026	169,567

(c) Deferred tax analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations of the Republic of Kazakhstan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases of the purposes of income tax. The tax effect of the movements in these temporary differences is detailed below and recorded at the rate of 20% (2010: 20%).

30 Income Taxes (Continued)

In thousands of Kazakhstani Tenge	Note	1 January 2010 (restated)	Credited to profit or loss	31 December 2010 (restated)	Credited to profit or loss	31 December 2011
Tax effect of deductible/(taxable) temporary differences						
Provisions and allowances	24, 26	(46,030)	4,489	(41,541)	(4,841)	(46,383)
Non-current assets held for sale	3, 17	(113,976)	-	(113,976)	113,976	
Investment property	12	(18,146)	-	(18,146)	-	(18,146)
Losses carried forward		(62,159)	48,453	(13,707)	5,746	(7,961)
Losses on non-current assets sales carried forward	12	-	-	-	(18,128)	(18,128)
Other		(151)	(33)	(185)	(1,345)	(1,530)
Net deferred tax asset		**(240,463)**	**52,908**	**(187,555)**	**95,407**	**(92,148)**
Tax effect of temporary differences						
Property, plant and equipment	9	443,579	116,659	560,239	173,618	733,857
Net deferred tax asset		**443,579**	**116,659**	**560,239**	**173,618**	**733,857**
Less: Credit to deferred tax		(240,463)	52,908	(187,555)	95,407	(92,148)
Recognised deferred tax liability		**203,116**	**169,567**	**372,683**	**269,026**	**641,709**

Deferred tax liability on property, plant and equipment arises in connection with an active capital program and the modernization program undertaken by the Company during last several years. Significant difference between accounting and tax bases of fixed assets results from investment tax preferences for which the Company allocates the full amount of the added/purchased property, plant and equipment to tax deductions.
Loss carry forwards include the amount of loss from disposal of assets not subject to depreciation at cost which is less than their purchase price. In accordance with the requirements of the Tax Code, losses arising from such transactions are carried to future periods for ten years, and can be utilized against positive taxable margins on disposal of assets not subject to amortization.

The Company has considered this tax asset as realizable, taking into account the significant portfolio of assets on disposals of which capital gains are expected.

31 Earnings/(Loss) per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year. Calculation of basic earnings per share is based on the following data:

In thousands of Kazakhstani Tenge	Note	2011	2010
Profit/(loss) for the year		598,879	675,947
Weighted average number of ordinary shares in issue	18	44,660,000	25,757,813
Basic earnings per share (in tenge per share)		**13.41**	**26.24**

The Company has no ordinary shares with a potential dilutive effect, therefore, diluted earnings per share is the same as the basic earnings per share.

32 Contingencies and Commitments

Political and economic situation in Kazakhstan. Despite the fact that in recent years there has been improvement in the economic situation in the Republic of Kazakhstan, the economy continues to show signs of an emerging market. These signs include, but are not limited to the existence of the national currency, which has no free convertibility outside the country, and low liquidity of the securities market. In addition, the agricultural sector is influenced by political, legislative, financial and regulatory changes in Kazakhstan. Prospects for future economic stability of Kazakhstan significantly depend on the effectiveness of economic measures undertaken by the Government, as well as the development of legal and political systems.

Financial position and future activities of the Company may worsen as a result of continuing economic problems specific to developing countries. Management of the Company cannot predict any degree or duration of the economic difficulties or to assess the impact that may occur on these financial statements.

Taxation. Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest.

Tax periods remain open to retrospective review by the tax authorities for five years.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2011 no provision for potential tax liabilities had been recorded (2010: no provision).

On 26 November 2010 the President of the Republic of Kazakhstan signed *The Law On Amendments And Additions To Certain Legislative Acts On Taxation of RK*, according to which the rate of income tax was set at 20% level without change of the rate in the following years.

Litigation. The Company may be involved in certain litigation arising in the ordinary course of business. Management believes that at the present moment there is no litigation or other proceedings which may materially affect the Company's financial position.

Capital commitments. Company does not have any investment liabilities as of 31 December 2011.

Compliance with covenants. The Company is not subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Company including growth in the cost of borrowings and declaration of default, and other.

33 Financial Risk Management

Financial instruments

Financial instruments separately presented in the statement of financial position are not divided into groups. Financial instruments, included in a particular line of the statement of financial position are considered to have similar risks.

Accounting policy for financial instruments is applied to the following items:

In thousands of Kazakhstani Tenge	Note	31-Dec-2011	31-Dec-2010
Financial assets			
Trade receivables			
(taking into account impairment provision)	15	549,299	1,089,511
Other financial receivables	15	311,619	47,424
Finance lease receivables	12	631,604	441,278
Term deposits with original maturity of more than three months		667,800	-
Cash and cash equivalents	16	3,062,694	2,525,853
Total finance assets		**5,223,016**	**4,104,066**
Financial liabilities			
Trade payables	21	1,066,140	905,165
Borrowings	19	2,789,999	2,533,673
Total finance liabilities		**3,856,139**	**3,438,839**

Factors of financial risks

The Company's operations involve a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company does not use derivative financial instruments to hedge risks.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligation. Exposure to credit risk arises mainly due to cash and cash equivalents and trade receivables. Although collection of receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

33 Financial Risk Management (Continued)

Cash and cash equivalents are placed in financial organizations that have minimal risk of default at the date of account opening (Note 16). Term deposits have original maturities of less than three months. The credit quality of cash and cash equivalents balances based on Standard and Poor's ratings may be summarised as follows at 31 December 2011:

	2011		2010	
In thousands of Kazakhstani Tenge	Bank balances payable on demand	Term deposits	Bank balances payable on demand	Term deposits
Neither past due nor impaired				
- BBB stable	736,867	1,477,025	5,258	652,700
- B stable	43	-	88	-
- Without rating	848,410	-	1,867,433	-
Total	**1,585,321**	**1,477,025**	**1,872,779**	**652,700**

At 31 December 2011 term deposits with original maturities over 3 months of Tenge 667,800 thousand were placed with the commercial bank rated BBB stable.

Credit risk exposure arising on balances of the finance lease receivables as well as the ageing analysis is disclosed in Note 12.

Currency risk

On 5 February 2010 the National Bank of Kazakhstan issued an official press release and set new limits of fluctuations in exchange rate of Tenge to US Dollar. The exchange rate can fluctuate between Tenge 127.5 and 165 to US Dollar. On 19 January 2011 the National Bank of Kazakhstan announced its intention to move to a floating rate of Tenge beginning from 25 March 2011.

Net balance position of the Company is presented below:

	At 31 December 2011			At 31 December 2010		
In thousands of Kazakhstani Tenge	Monetary financial assets	Monetary financial liabilities	Net balance sheet position	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
US Dollars	2,248,189	(163,859)	2,084,331	172,091	(1,050,919)	(878,827)
Russian Roubles	169,006	(131,110)	37,896	122,870	(126,826)	(3,956)
Euro	272	(979,069)	(978,797)	314	(1,367,941)	(1,367,627)
Total	**2,417,467**	**(1,274,037)**	**1,143,430**	**295,275**	**(2,545,686)**	**(2,250,411)**

Borrowings of the Company are denominated in the following currencies:

In thousands of Kazakhstani Tenge		31-Dec-11	31-Dec-10
Loans denominated in:	- Kazakhstani Tenge	1,798,576	362,118
	- Euro	582,926	1,694,540
	- US Dollars	408,498	477,016
Total Loans		**2,789,999**	**2,533,673**

33 Financial Risk Management (Continued)

Impact of foreign exchange rate on the Company's profit or loss for the year is presented as follows:

In thousands of Kazakhstani Tenge	31-Dec-11	31-Dec-10
US Dollar strengthening by 10%	208,433	(87,883)
US Dollar w eakening by 10%	(208,433)	87,883
Russian Rouble strengthening by 10%	3,790	(396)
Russian Rouble w eakening by 10%	(3,790)	396
Euro strengthening by 10%	(97,880)	(136,763)
Euro w eakening by 10%	97,880	136,763

Interest rate risk

At 31 December 2011 the Company took borrowings with only fixed interest rates, therefore the Company's exposure to interest rate risks at the date was low.

Management of capital risk

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern, to provide returns for Shareholders and benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Additionally, the Company manages its capital so that to be compliant with listing requirements of the Kazakhstan Stock Exchange.

The Company monitors capital on the basis of the gearing ratio. The Company's strategy is to minimize the gearing ratio by repaying its debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "trade payables" as shown in Note 21) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

On 12 August 1998 the Company's ordinary shares were listed on the stock exchange in B category, from 10 September 2008 they were transferred to the third category of this list.

On 9 November 2009 due to the unification of the main trading platform and the special trading platform of the Regional Financial Centre of Almaty, the joint list of securities in which the common shares of the Company were included in the third category came into force.

On 2 June 2010 the Company received the opinion on the possibility of ordinary share transfer from the third to the second category of the official exchange list. Thus, in order to meet the listing requirements for the second category, the Company monitors capital on the basis of the ratio between equity and charter capital. In this case, equity may not be less than the charter capital, and shall be equivalent to at least one hundred seventy one thousand times the month calculation index according to the financial statements of the last date confirmed by the auditor's report.

Liquidity risk

The maturity analysis of financial liabilities, including interest payments at 31 December 2011, is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
Liabilities						
Term borrow ings (Note 19)	519,380	1,049,552	348,513	1,250,829	-	3,168,275
Trade payables (Note 21)	879,262	-	-	-	-	879,262
Other financial receivables (Note 21)	6,680	-	-	-	-	6,680
Total future payments, including future payments of principal and interest	**1,405,322**	**1,049,552**	**348,513**	**1,250,829**	**-**	**4,054,217**

33 Financial Risk Management (Continued)

The maturity analysis of financial liabilities, including interest payments at 31 December 2010, is as follows:

In thousands of Kazakhstani Tenge	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	More than 5 years	Total
Liabilities						
Term borrowings (Note 19)	51,710	888,534	381,218	1,651,748	-	2,973,209
Trade payables (Note 21)	732,366	-	-	-	-	732,366
Other financial receivables (Note 21)	12,902	-	-	-	-	12,902
Total future payments, including future payments of principal and interest	**796,978**	**888,534**	**381,218**	**1,651,748**	**-**	**3,718,478**

34 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, except for the cases of forced sale or liquidation. Fair value is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, professional judgment is necessary in determining the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

Carrying amounts of assets approximate their fair values due to their short term nature.

Liabilities carried at amortised cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Carrying amounts of financial liabilities approximate their fair values.

35 Significant Non-Cash Transactions in Operating and Financing Activities

In 2011 and 2010 within the operating activities, the Company offset finance and operating lease receivables with trade payables for purchases of goods and raw materials from related parties in the total amounts of Tenge 363,015 thousand and Tenge 197,278 thousand, respectively.

In 2011 and 2010 within the financing activities, the Company offset liabilities on related party borrowings with operating lease and other receivables in the amount of Tenge 103,100 thousand and Tenge 32,400 thousand , respectively.

Placement of ordinary shares in 2010 of Tenge 5,000,000 thousand was credited with an outstanding loan from the parent (Notes 8 and 18).