JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

Consolidated Financial Statements
for the year ended December 31, 2011

JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

CONTENTS

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

Management of JSC National Company Kazakhstan Temir Zholy (the "Company") is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Company and its subsidiaries (collectively, the "Group") as at December 31, 2011, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended December 31, 2011 were approved by management on March 20, 2012.

On behalf of management of the Group:

A.U. Mamin **President**	**K.K. Alpysbayev** **Vice-President of Economics and Finance**	**N. Kh. Abilova** **Chief Accountant**
March 20, 2012	March 20, 2012	March 20, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of JSC National Company Kazakhstan Temir Zholy:

We have audited the accompanying consolidated financial statements of JSC National Company Kazakhstan Temir Zholy and its subsidiaries (collectively – the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Other matters

As discussed in Note 4 to the consolidated financial statements, the Group acquired a business in 2011 from companies owned by the Shareholder of the Group and both the Shareholder of the Group and a subsidiary of the Group, resulting in a change in the reporting entity. The acquisition was accounted for as a business combination under common control. Assets and liabilities were transferred at historical cost. The consolidated financial statements have been prepared as if the business combination occurred at the beginning of the earliest period presented.

Deloitte, LLP

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Engagement Partner
Qualified auditor
Qualification certificate No.0000314
dated December 23, 1996,
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State license on auditing in the Republic of Kazakhstan
No.0000015, type MFU-2,
issued by the Ministry of Finance of the Republic of
Kazakhstan dated September 13, 2006

Nurlan Bekenov
General Director
Deloitte, LLP

March 20, 2012

JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

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

	Notes	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	5	1,269,468,987	993,529,020	845,741,549
Intangible assets	6	8,356,743	5,344,111	4,537,488
Investments in associates and joint ventures	7	4,939,504	2,075,176	1,852,666
Investment property	8	6,578,879	-	-
Other non-current assets	9	55,428,341	29,699,387	9,976,956
Total non-current assets		1,344,772,454	1,030,647,694	862,108,659
Current assets				
Inventories	10	41,484,666	30,770,894	27,031,130
Trade accounts receivable	11	4,568,143	5,203,424	7,404,143
Other financial assets	12	51,221,664	122,201,395	17,706,980
Prepaid income tax		5,538,970	3,438,549	9,369,224
Asset held for the benefit of the Shareholder	13	47,777,020	9,170,284	-
Other current assets	14	38,437,374	27,799,586	39,809,432
Cash and cash equivalents	15	130,211,949	97,513,097	54,706,785
Restricted cash	17	224,665	227,662	233,714
Total current assets		319,464,451	296,324,891	156,261,408
Total assets		1,664,236,905	1,326,972,585	1,018,370,067
LIABILITIES AND EQUITY				
Equity				
Share capital	16	579,417,097	521,100,457	486,220,457
Additional paid-in capital and unissued share capital		103,121,474	41,472,001	20,254,432
Foreign currency translation reserve		(197,201)	(103,797)	(83,546)
Retained earnings		261,978,267	197,385,718	161,384,721
Equity attributable to owner of the Company		944,319,637	759,854,379	667,776,064
Non-controlling interests		6,158,078	5,688,859	5,075,366
Total equity		950,477,715	765,543,238	672,851,430

JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

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

	Notes	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Non-current liabilities				
Borrowings	17	167,374,546	47,470,080	32,752,485
Debt securities issued	18	154,927,950	153,740,906	117,706,342
Finance lease liabilities	19	5,016,103	4,945,560	5,268,051
Employee benefit obligations	20	17,455,418	14,062,806	13,187,780
Deferred income tax liability	21	118,599,053	84,521,083	46,079,111
Other non-current liabilities		104,554	3,000	2,500
Total non-current liabilities		463,477,624	304,743,435	214,996,269
Current liabilities				
Borrowings	17	33,119,423	34,001,731	20,758,024
Current portion of debt securities issued	18	2,056,610	68,927,178	1,092,377
Current portion of finance lease liabilities	19	614,257	508,648	476,428
Current portion of employee benefit obligations	20	1,985,504	1,697,299	1,025,608
Trade accounts payable	22	70,963,528	57,468,482	44,918,138
Income tax payable		107,835	243,858	111,536
Other taxes payable	23	7,779,382	6,147,760	8,981,394
Other current liabilities	24	133,655,027	87,690,956	53,158,863
Total current liabilities		250,281,566	256,685,912	130,522,368
Total liabilities		713,759,190	561,429,347	345,518,637
Total equity and liabilities		1,664,236,905	1,326,972,585	1,018,370,067

A.U. Mamin **President**	**K.K. Alpysbayev** **Vice-President, of Economics and Finance**	**N. Kh. Abilova** **Chief Accountant**
March 20, 2012	March 20, 2012	March 20, 2012

The notes below form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

(in thousands of tenge)

	Notes	2011	2010 (restated)
Revenue			
Freight transportation		603,656,403	501,555,575
Passenger transportation		54,913,553	50,914,647
Government grants		18,454,475	15,409,258
Other revenue	25	25,724,911	14,501,328
Total revenue		702,749,342	582,380,808
Cost of sales	26	(470,280,262)	(397,418,883)
Gross profit		232,469,080	184,961,925
General and administrative expense	27	(62,772,376)	(69,164,226)
Selling expenses		(159,971)	(121,788)
(Loss)/recovery of loss from impairment of property, plant and equipment	5	(903,059)	106,428
Bargain purchase gain	30	948,610	-
Other income and expense		3,381,126	1,885,036
Finance income	28	4,644,247	3,289,691
Finance costs	29	(19,515,232)	(12,998,931)
Foreign exchange loss		(1,640,265)	(118,652)
Share of profit of associates and joint ventures	7	69,331	242,810
Profit before taxation		156,521,491	108,082,293
Income tax expense	21	(33,292,672)	(41,545,541)
Profit for the year		123,228,819	66,536,752
Other comprehensive loss:			
Foreign currency translation loss		(93,404)	(20,251)
Other comprehensive loss for the year		(93,404)	(20,251)
Total comprehensive income for the year		123,135,415	66,516,501
Profit for the year attributable to:			
Owner of the Company		122,886,900	65,917,640
Non-controlling interests		341,919	619,112
		123,228,819	66,536,752
Total comprehensive income attributable to:			
Owner of the Company		122,793,496	65,897,389
Non-controlling interests		341,919	619,112
		123,135,415	66,516,501
Earnings per share (in whole tenge)	31	250	134

A.U. Mamin
President

March 20, 2012

K.K. Alpysbayev
Vice-President of Economics and Finance

March 20, 2012

N. Kh. Abilova
Chief Accountant

March 20, 2012

The notes below form an integral part of the consolidated financial statements.

JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

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

	Notes	2011	2010 (restated)
Cash flows from operating activities:			
Profit before taxation		156,521,491	108,082,293
Adjustments for:			
Depreciation and amortization		60,972,868	52,518,353
Finance costs	29	19,515,232	12,998,931
Allowance for unrecoverable value added tax	9	(9,905,425)	8,998,670
Accrued penalties gain		-	(121,529)
Provision on legal claims	27	590,447	3,801,217
Loss/(recovery of loss) from impairment of property, plant and equipment	5	903,059	(106,428)
Gain on disposal of property, plant, and equipment and other fixed assets		(688,534)	(1,280,343)
Finance income	28	(4,644,247)	(3,289,691)
Defined benefit plan actuarial liability	20, 26, 27	5,497,239	2,928,345
Share of profit of associates and joint ventures	7	(69,331)	(242,810)
Recovery of allowance for obsolete and slow-moving inventories	10	(291,770)	(344,448)
Allowance for doubtful debts	9, 11, 14, 27	1,118,705	1,275,820
Unused vacation provision expense		1,473,272	1,256,117
Provision for additional payments to employees living in regions of environmental disaster	26, 27	3,223,972	302,951
Foreign exchange loss		1,640,265	118,652
Bargain purchase gain	30	(948,610)	-
Other (gain)/loss		(163,056)	374,338
Operating income before changes in working capital		234,745,577	187,270,438
Increase in trade accounts receivable		(3,592,506)	(11,477,556)
Increase in inventories		(13,799,347)	(3,328,303)
Decrease/(increase) in other current and non-current assets (including non-current VAT recoverable)		7,602,429	(4,246,478)
Increase in trade accounts payable		7,891,547	5,534,246
(Decrease)/increase in other taxes payable		(8,064,235)	5,277,199
Increase in other current liabilities		10,655,189	4,019,135
Decrease in employee benefit obligations	20	(1,816,422)	(1,381,628)
Increase in other non-current liabilities		85,420	-
Cash generated from operations		233,707,652	181,667,053
Interest paid		(20,620,645)	(11,069,341)
Income tax paid		(5,335,739)	(4,977,278)
Net cash flows from operating activities		207,751,268	165,620,434

JSC NATIONAL COMPANY KAZAKHSTAN TEMIR ZHOLY

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

	Notes	2011	2010 (restated)
Cash flows from investing activities:			
Purchase of property, plant and equipment		(338,914,446)	(195,573,327)
Purchase of intangible assets		(341,709)	(1,948,806)
Proceeds from disposal of property, plant and equipment and other non-current assets		1,776,686	821,039
Acquisition of subsidiaries, less cash and cash equivalents acquired		(505,080)	(1,241)
Purchase of investments		(2,794,997)	(4,229,862)
Interest received		4,300,465	2,502,604
Purchase of short-term investments		(128,196,788)	(173,530,297)
Proceeds from sale of short-term investments		198,723,015	69,375,889
Net cash flows used in investing activities		(265,952,854)	(302,584,001)
Cash flows from financing activities:			
Receipt of payment for unissued share capital	16	90,821,510	52,458,867
Increase in borrowing		145,428,149	64,173,433
Bonds issued		-	103,013,775
Repayments of borrowings		(28,508,488)	(27,526,283)
Repayments of bonds		(66,049,200)	-
Contributions from non-controlling interests		19,554	132,006
Dividends and distributions paid		(10,876,307)	(2,923,319)
Purchase of asset held for the benefit of the Shareholder		(38,606,736)	(9,170,284)
Repayments of finance lease liabilities		(685,935)	(339,553)
Net cash flows from financing activities		91,542,547	179,818,642
Net increase in cash and cash equivalents		33,340,961	42,855,075
Cash and cash equivalents at the beginning of the year	15	97,513,097	54,706,785
Effect of foreign exchange rates on cash and cash equivalents		(642,109)	(48,763)
Cash and cash equivalents at the end of the year	15	130,211,949	97,513,097

In 2011 the Group had the following non-cash transactions: additions of property, plant and equipment as a contribution to share capital of 1,203,236 thousand tenge (2010: nil), transfer of legal ownership of railway assets Khromtau-Aiteke Bi and Aiteke Bi-Altynsarin of 30,482,773 thousand tenge by the Shareholder (2010: nil), contribution of 100% share in Repair Corporation Kamkor LLP to the share capital of the Company for 10,255,000 thousand tenge (2010: nil), fair value adjustment on loan received of 10,271,770 thousand tenge (2010: 9,694,252 thousand tenge), property, plant and equipment of 12,255,643 thousand tenge (2010: 10,661,431 thousand tenge) was purchased during the period that has not yet been paid, capitalization of interest expense of 2,361,383 thousand tenge (2010: 524,803 thousand tenge), railway administrations debt offset of 4,114,905 thousand tenge (2010: nil).

During 2011 the Group purchased assets under finance leases totaling 1,042,029 thousand tenge (2010: 3,506 thousand tenge) (Note 19).

A.U. Mamin	**K.K. Alpysbayev**	**N. Kh. Abilova**
President	**Vice-President, of Economics and Finance**	**Chief Accountant**
March 20, 2012	March 20, 2012	March 20, 2012

The notes below form an integral part of the consolidated financial statements.

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

	Share capital	Additional paid-in capital and unissued share capital	Foreign currency translation reserve	Retained earnings	Equity attributable to owner of the Parent	Non-controlling interests	Total equity
As at January 1, 2010 (as previously reported)	486,220,457	20,254,432	(83,546)	154,611,850	661,003,193	-	661,003,193
Effect of business combination under common control (Note 4)	-	-	-	6,772,871	6,772,871	5,075,366	11,848,237
As at January 1, 2010 (restated)	486,220,457	20,254,432	(83,546)	161,384,721	667,776,064	5,075,366	672,851,430
Profit for the year	-	-	-	65,917,640	65,917,640	619,112	66,536,752
Other comprehensive loss for the year	-	-	(20,251)	-	(20,251)	-	(20,251)
Comprehensive income for the year	-	-	(20,251)	65,917,640	65,897,389	619,112	66,516,501
Contribution to share capital (Note 16)	34,880,000	17,578,867	-	-	52,458,867	-	52,458,867
Contribution from non-controlling interests	-	-	-	-	-	132,006	132,006
Dividends declared (Note 16)	-	-	-	(2,923,319)	(2,923,319)	-	(2,923,319)
Distribution (Notes 7, 13, 16 and 24)	-	(4,116,700)	-	(27,129,708)	(31,246,408)	-	(31,246,408)
Contribution - Adjustment of loan to the fair value, net of deferred tax of 1,938,850 thousand tenge (Note 17)	-	7,755,402	-	-	7,755,402	-	7,755,402
Acquisition of non-controlling interests in subsidiaries	-	-	-	136,384	136,384	(137,625)	(1,241)
As at December 31, 2010 (restated)	521,100,457	41,472,001	(103,797)	197,385,718	759,854,379	5,688,859	765,543,238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)

(in thousands of tenge)

	Share capital	Additional paid-in capital and unissued share capital	Foreign currency translation reserve	Retained earnings	Equity attributable to owner of the Parent	Non-controlling interests	Total equity
As at December 31, 2010 (restated)	521,100,457	41,472,001	(103,797)	197,385,718	759,854,379	5,688,859	765,543,238
Profit for the year	-	-	-	122,886,900	122,886,900	341,919	123,228,819
Other comprehensive loss for the year	-	-	(93,404)	-	(93,404)	-	(93,404)
Comprehensive income for the year	-	-	(93,404)	122,886,900	122,793,496	341,919	123,135,415
Contribution from Shareholder (Note 16)	-	92,024,746	-	-	92,024,746	-	92,024,746
Contribution from non-controlling interests	-	-	-	-	-	19,608	19,608
Acquisition of subsidiaries (Note 30)	-	-	-	-	-	1,035,225	1,035,225
Contribution to share capital (Note 16)	10,255,000	-	-	(10,255,000)	-	-	-
Transfer due to legal registration of shares issuance	17,578,867	(17,578,867)	-	-	-	-	-
Transfer due to contribution of legal title to railway assets (Notes 5 and 16)	30,482,773	(21,013,822)	-	(9,468,951)	-	-	-
Dividends declared (Note 16)	-	-	-	(9,776,307)	(9,776,307)	-	(9,776,307)
Distribution (Notes 13, 16 and 24)	-	-	-	(29,714,107)	(29,714,107)	-	(29,714,107)
Contribution - Adjustment of loan to the fair value, net of deferred tax of 2,054,354 thousand tenge (Note 17)	-	8,217,416	-	-	8,217,416	-	8,217,416
Change of non-controlling interests in subsidiaries	-	-	-	920,014	920,014	(927,533)	(7,519)
As at December 31, 2011	579,417,097	103,121,474	(197,201)	261,978,267	944,319,637	6,158,078	950,477,715

A.U. Mamin
President

March 20, 2012

K.K. Alpysbayev
Vice-President, of Economics and Finance

March 20, 2012

N. Kh. Abilova
Chief Accountant

March 20, 2012

The notes below form an integral part of the consolidated financial statements.

1. GENERAL INFORMATION

JSC National Company Kazakhstan Temir Zholy (the "Company") was organized in Kazakhstan in accordance with Resolutions of the Government of the Republic of Kazakhstan (the "Government") for the purpose of establishing a holding company for the Government's railway industry assets. The Company was registered on May 15, 2002. The consolidated financial statements include the results of the operations of the Company, and its wholly owned subsidiaries (collectively, the "Group"). The address of the Company's registered office is: 6 D.Kunayev st., Astana, 010000, the Republic of Kazakhstan.

The Government represented by JSC National welfare fund Samruk-Kazyna (the Ministry of Transportation and Communication of the Republic of Kazakhstan before June 8, 2006; JSC Kazakhstan Holding for the Management of State Assets Samruk before October 17, 2008) is the sole shareholder of the Company (the "Shareholder").

The Government controls the structure of the Group and establishes the long-term structure of the railway operations in the Republic of Kazakhstan. Since 1997, the Government has been in the process of restructuring the rail system in Kazakhstan which included the establishment of the Group, the disposal of certain repair services businesses out of the Group, the segregation of the passenger and cargo transportation and the associated rail tariffs and the introduction of Government subsidies for passenger travel. The Government of the Republic of Kazakhstan, through the Group, is continuing to restructure the railway transport in Kazakhstan and has developed a long-term development strategy through 2020 that includes a significant investment in the railway assets. Within this strategy the Group has developed a detailed restructuring action plan, to be implemented no later than 2015, which will result in the establishment of KTZh-Infrastructure and JSC NZhK KTZh, JSC Cargo transportations, JSC Passenger Transportations and JSC Production and Repair.

The Group operates a Government regulated nationwide railway system providing freight transportation, railway passenger transportation services and maintenance of railway infrastructure within the Republic of Kazakhstan. As part of the regulation of the rail industry in Kazakhstan, the Government sets the tariffs which the Group charges its cargo and passenger customers, and also partially subsidizes certain passenger transportation activities through government grants. These regulated tariffs differ based on the type of transportation provided, and further for cargo transportation depending on the type of directions: domestic (national), international export-import. The tariff for cargo transportation in international transit direction is not regulated by the Government.

The Group's operations have been impacted by the global economic downturn, which has resulted in decreased global spending and a slowdown in global industrial production, which in turn has had a direct impact on the amount of cargo that is shipped via railways. During the second half of 2009, the Group saw a moderate increase in cargo volume and revenues, which continued during 2010 and 2011. In addition, in 2011 and 2010 the Group, with the Government's permission, has increased freight transportation tariffs by an average of 15% and 17.6%, respectively, and passenger transportation tariffs for international, interregional and inter-district direction for lux type wagons by 10% and 10%, respectively. Government grants provided to the Group have also increased.

(in thousands of tenge unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Adoption of new and revised standards

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

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

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

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

Standards and Interpretations in issue to be adopted in future periods:

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

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

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

Management of the Group anticipates that all of the above five standards will be adopted in the Group's consolidated financial statements for the period commencing January 1, 2013 and that the adoption of these standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

Management of the Group anticipates that the adoption of all of the above other standards will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

Critical accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

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

Impairment of assets

At the end of each reporting period the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The assessment of whether there is an indication of impairment is based on a number of factors, such as change in restructuring process, expectations of growth in the railway industry, estimates of future cash flows, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate any impairment exists.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount an impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount could result in an impairment, or reversal of an impairment, in future periods.

Post-employment benefits

The Group operates a defined benefit pension scheme which has been accounted for in accordance with IAS 19 "Employee Benefits". Application of IAS 19 requires the exercise of judgment in relation to various assumptions including future annual minimum pay rises, employer and pensioner demographics, discount rates and the expected rate of future annual railway ticket price increases. The Group bases IAS 19 estimates on, amongst other things, historical experience and recommendations of its actuaries. A change in assumptions could have a significant impact on the Group's profits in future periods. See further information in Note 20.

Allowances

Inventory valuation

Inventory is valued at the lower of cost or net realizable value. The Group records an allowance to reduce the carrying value of obsolete and slow-moving inventory to net realizable value, when appropriate. The actual value realized on disposition of such inventory may differ from the net realizable value; any such difference could have a significant impact on future operating results.

Recoverability of VAT

At each reporting date the Group assesses the recoverability of VAT arising on sales to customers on international transportation. The Group cannot charge VAT onwards to these customers, and accordingly can only receive these amounts through an offset against future VAT liability or collection from the tax authorities. In assessing the recoverability of the VAT receivable, the Group considers information from the internal tax department regarding projected VAT liability, correspondence with government tax authorities, and historical recovery experience. The actual amount of VAT recovery could differ materially from the Group's estimate and this could materially impact operating results.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is computed using the straight-line method over estimated useful lives. The estimates of useful lives, residual values and methods of depreciation are reviewed at each reporting date, and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate. Estimates of the useful lives and residual value of these assets are based on the expected economic use, repair and maintenance programs, and volume of activity, technological advancements and other business conditions and may require significant future expenditures in order to maintain the property to a high level. If these assumptions were to change, it could result in significantly different depreciation amounts than those previously recorded.

In 2011 management revised the useful life for certain locomotives due to the moral depreciation. This change in estimate, determined from an assumption of usage of those assets till the end of useful life, will lead to the increase of depreciation in the current year and all subsequent years approximately for 1,007,691 thousand tenge.

Income taxes

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities penalties and interest applied are significant; penalties are generally assessed at 50% of the additional taxes accrued, and interest is assessed at 22.5% of taxes not settled on a timely basis. As a result, penalties and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, penalties and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at December 31, 2011. Any difference between these estimates and the actual amount, if any, ultimately paid could have a significant impact on the Group's profits in future periods.

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed in Note 33. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is used for acquired businesses.

All intercompany transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method of accounting except for business combinations between entities under common control. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "*Share Based Payment*" at the acquisition date; and
- assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. An excess of the share of the company-acquirer in the fair value of the net identifiable assets acquired, liabilities and contingent liabilities assumed over the sum of the consideration transferred is recognised immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. The Group tests goodwill for impairment annually, or more frequently when there is indication that the goodwill may be impaired. The goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of combination. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income and is not reversed in subsequent periods.

Business combinations under common control

Business combinations of entities under common control are accounted for on a historical cost basis, which results in the historical book value of assets and liabilities of the acquired entities being combined with that of the Group. The consolidated financial statements of the Group reflect the effect of the combination, as if it occurred, at the beginning of the earliest period presented.

Any difference between the amount recorded as share capital issued and the amount recorded for the share capital acquired is adjusted against retained earnings in the consolidated statement of changes in equity.

Functional and presentation currency

The Group's consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"). The functional currency of the Company and of its subsidiaries is also the tenge. The functional currency of the Group's branches in Russia is the Russian ruble. The assets and liabilities of this branch are translated into tenge at the rate of exchange effective at the reporting date and the profit and loss items are translated into tenge at the weighted-average exchange rate for the year. Exchange rate differences arising on the translation are recorded directly to other comprehensive income. Upon disposal, the deferred cumulative amount related to a specific foreign operation is recognized in the consolidated statement of comprehensive income.

The tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in currencies other than the entity's function currency (foreign currencies) are recorded at the market rate ruling at the date of the transaction using market rates, fixed by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using the cross-rates to the US Dollar ("USD" or "US$") in accordance with the quotations received from Reuters.

(in thousands of tenge unless otherwise stated)

Monetary assets and liabilities, denominated in foreign currencies, are translated to tenge at the exchange rate effective at the reporting date with all differences arising from a change in exchange rates subsequent to the date of a transaction recognized in the consolidated statement of comprehensive income. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The following table summarizes the foreign currency exchange rates for tenge at:

	December 31, 2011	December 31, 2010	January 1, 2010
US Dollar	148.40	147.40	148.36
Swiss Franc	157.65	156.76	143.01
Russian Ruble	4.61	4.84	4.92

Weighted-average tenge exchange rates for the years ended December 31 were as follows:

	2011	2010
US Dollar	146.62	147.35
Swiss Franc	165.79	141.61
Russian Ruble	5.00	4.85

Recognition of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized using trade date accounting.

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

Fair value is generally determined by reference to official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods such as discounted future cash flows based on observable market inputs.

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

Financial assets

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

Cash and cash equivalents

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

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments, that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables are recognized and carried at the original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is recognized when the accounts receivable is not collected within contractual terms, and collection of the full amount is no longer considered probable. The allowance for doubtful debts is reviewed periodically, and as adjustments become necessary, they are reported in the consolidated statement of comprehensive income in the period in which they become known. Bad debts are written-off when identified against an allowance previously recognized.

Other financial assets

Other financial assets are non-derivative financial assets such as bank deposits with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, except for assets stated at FVTPL, are assessed for evidence of impairment at each reporting date. Financial assets are impaired when there is objective evidence that as a result of one or several events occurring after initial recognition of the financial asset there was in value. Such events include a significant change in estimated future cash flows on the investment, significant financial difficulty of the issuer or counterparty, breach of contract terms, creditors providing preferential conditions, borrower's encountering financial difficulties, it becoming probable that the borrower will enter bankruptcy, collapse of active market for the financial asset etc. For financial assets stated at amortized cost the amount of impairment represents the difference between the carrying value of the asset and present value of the estimated future cash flows discounted at the initial effective interest rate.

The carrying value of a financial asset is reduced by the impairment loss directly on all financial assets, except for trade accounts receivable, where the carrying value is decreased by use of the allowance for doubtful debts.

If in the subsequent period the amount of the impairment loss is decreased and the decrease can be objectively related to the event occurring after recognition of impairment, then the previously recognized impairment loss is reversed in profit or losses to the extent to which the carrying value of the investment at the date of reverse does not exceed the amount of amortized value, if impairment had not been recognized.

Financial liabilities

Financial liabilities represent contractual obligations and are recorded when the Group becomes contractually liable.

Trade and other accounts payable

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

Interest-bearing loans and borrowings

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

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

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

Offsetting

Financial assets and liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

Inventories

Inventories largely comprise items that are used in the operation of the railway lines and railway vehicles and are not held for trading purposes.

Inventories are valued at the lower of cost or net realizable value. Costs comprise of charges incurred to bring inventory to its present location and condition for its intended use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Inventory is valued on a weighted-average cost basis.

Property, plant and equipment

Property, plant and equipment are stated at their initial cost or deemed cost, less any subsequent accumulated depreciation and impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

The cost of assets constructed by the Group includes the cost of all materials used in construction, direct labor on the project, finance costs that are directly attributable to the project, and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalized as soon as an asset is ready for its intended use.

At times the Group will enter into a finance lease for equipment to be installed on a project. While that equipment is being prepared for installation it is not in use and therefore is recorded in capital construction in progress. Once ready for use, the equipment is transferred to the relevant asset category to which it relates and accounted for as described in this policy.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Subsequent expenditure

Track renewals and major capita replacements

Expenditures relating to track renewals are capitalized to the extent that the flow of the future economic benefits is probable and these expenditures can be reliably measured. The replaced assets are valued at the lower of cost and net realizable value and transferred to inventories or property, plant and equipment, as applicable. The excess of the carrying value of the replaced assets over their net realizable values is recognized as an expense in the consolidated statement of comprehensive income. All property that does not provide future economic benefit is expensed immediately in the consolidated statement of comprehensive income.

(in thousands of tenge unless otherwise stated)

Repairs and maintenance

Expenditures which enhance the flow of the future economic benefits provided by use of an item of property, plant and equipment, and which are directed towards improvement of an item's condition and extension of its useful life and/or advancement of its production capacity are recognized in the carrying amount of the item and are amortized on a straight-line basis over the estimated useful life of the item. All other subsequent expenditures, such as general repair and maintenance expenditures, are charged in the consolidated statement of comprehensive income when incurred.

Depreciation

Property, plant and equipment, excluding land and construction in process, are depreciated on a straight-line basis over the estimated useful lives of the assets, as the Group believes that the wear and tear on each category of assets is spread evenly over the useful life. The estimated useful lives used by the Group in all reporting periods presented are as follows (in years):

Buildings	20-45
Railway infrastructure	10-80
Machinery and equipment	5-25
Railway transport	15-32
Other transport	10-20
Other	3-40

Land and construction in progress are not depreciated. Construction in progress is transferred to the appropriate asset category upon completion and then depreciated as described above.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss. Intangible assets primarily include software and software licenses. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets of more than one year and up to 10 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period taking into account any changes in assessment in the future.

Investment property

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

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

Impairment of tangible and intangible assets excluding goodwill

At each reporting date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects current market assessment of the time value of money and the risks specific to the assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

VAT receivable

VAT receivable is generated on sales to customers on international transportation where the Group incurs VAT costs (through fuel and other operating costs) but does not legally have the right to charge VAT to the customer. All VAT expense on such transactions can be used to offset VAT payable to the Kazakhstan tax authorities. At the end of each reporting period an analysis is performed by the Company's tax department, in conjunction with the Kazakhstan tax authorities, to determine the amount that is expected to be used in the upcoming 12 months to offset future VAT liabilities. The amount expected to be recovered within 12 months is recorded in other current assets. The Group estimates the amount of the non-current asset that it believes it will recover and establishes an allowance against the remaining balance.

Investments in associates and joint ventures

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Associates are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The investment in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures, less any impairment in value or dividends. When the Group's share of losses of these entities exceeds the Group's interest in that entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the entity), the Group discontinues recognising its share of further losses. The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associates and joint ventures.

Borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset. Investment income from a temporary investment of certain loans, expecting to be used on qualifying assets, is deducted from borrowing costs on loans fit for capitalization.

Borrowing costs also include the exchange differences arising from loans in foreign currencies to the extent to which they are considered to be an interest expense adjustment. The exchange difference amount capitalized as an interest expense adjustment must not exceed the interest expense amount which would be capitalized by the Group if the loan was received in the local currency. Any excess of exchange difference is recognized in the consolidated statement of comprehensive income.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Employee benefits

Defined benefit scheme

In accordance with the Labor Union Agreement the Group provides certain benefits to its employees upon their retirement ("Defined Benefit Scheme"). Pursuant to this agreement, the Group provides the following benefits under an unfunded scheme:

- one-time retirement grant;
- annual financial support to pensioners;
- free train passenger tickets;
- funeral aid; and
- financial assistance on denture treatment.

The obligation and cost of benefits under the Defined Benefit Scheme are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to the consolidated statement of comprehensive income, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit obligation.

The Group recognizes actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified as employee benefit expenses.

Equity

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. All non-cash contributions to share capital are assessed at fair value as at the date of contribution by an independent appraiser. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Consideration received for common shares yet to be issued is recognized as unissued share capital until such time as the common shares are issued, when such proceeds are transferred to share capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions

Distributions are recognized in equity when the Group has irrevocably committed to transfer cash or non-cash assets to its Shareholder/ultimate Shareholder and the amount of the commitment can be reliably measured. Distributions are recognized in equity at their fair value, net of any related deferred tax effects, where appropriate.

Recognition of revenue

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

In respect of services related to transportation, revenue is recognized by reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. The extent of completion of the cargo transportation process is calculated as the ratio of services volume, provided as at the reporting date to the total services volume according to information on the dates of cargo departure and arrival (intersection of joint station).

Prepayments received from customers relating to transportation services that have not been initiated are recognized as "Advances received from customers". Upon commencement of the services, the amount related to that service is reclassified to deferred income under the "Other current liabilities" caption in the consolidated statement of financial position. Deferred income is credited to revenue as the service is provided.

Income relating to services for use of wagons is recognized in the period of use of the Group's wagons.

Government grants

The Group is eligible to receive a subsidy, in the form of a Government grant, for a portion of the costs of transporting passengers on socially important routes within the Republic of Kazakhstan, as defined by the Government. The Group, along with other railway companies in the Republic of Kazakhstan, submit an application for these grants to the Government on an annual basis. If awarded the contract, the Group is eligible for a subsidy of costs to transport passengers on the socially important routes within the Republic of Kazakhstan up to a pre-budgeted amount, which is determined by the Government.

Government grants are recognised in the consolidated statement of comprehensive income in the period in which the transportation is provided to the passengers at the reduced tariffs set by the Government when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and the collection of the grant funds can be reasonably assured.

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income tax are recognised as an expense or benefit in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expenses in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases

The Group recognizes finance leases as assets and liabilities in the consolidated statement of financial position at amounts equal at the commencement of the lease term to the fair value of the leased property or, if lower, the present value of the minimum lease payments. In calculating the present value of minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned if the lease period is greater than that period. If the period of lease is less than the amortization period of similar fixed assets, the leased asset is amortized based on the lease period.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(in thousands of tenge unless otherwise stated)

3. SEGMENT INFORMATION

The Group, based on information contained in reports that are regularly reviewed by the Shareholder and which are used to make decisions about the allocation of financial resources and to assess segment performance, has two reportable segments namely cargo transportation and passenger transportation. The Group allocates all administrative and finance costs and income taxes to these segments. Unallocated revenues and costs relate primarily to the Group's repair services, sales of scrap inventory, and sales of electricity. Such revenues and costs are not regularly reviewed by the chief operating decision maker.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Note 2.

The Group monitors multiple measures of profitability such as profit before taxation, profit for the year and gross profit. However, profit after taxation is the measure used for the purpose of resource allocation and assessment of segment performance.

	For the year ended December 31, 2011			
	Cargo transportation	**Passenger transportation**	**Unallocated results**	**Total**
Key operating measures				
Revenue – external and intersegment revenue	881,810,289	97,467,897	183,314,221	1,162,592,407
Intersegment revenue	(274,432,454)	(23,730,239)	(161,680,372)	(459,843,065)
Revenue	607,377,835	73,737,658	21,633,849	702,749,342
Cost of sales	(366,767,992)	(91,739,250)	(11,773,020)	(470,280,262)
General and administrative expense	(52,013,999)	(8,825,955)	(1,932,422)	(62,772,376)
Selling expenses	(159,971)	-	-	(159,971)
Finance income	4,547,670	96,577	-	4,644,247
Finance costs	(19,434,627)	(80,605)	-	(19,515,232)
Foreign exchange loss	(1,592,747)	(47,518)	-	(1,640,265)
Loss from impairment of property, plant and equipment	(770,732)	(132,327)	-	(903,059)
Share of profit/(loss) of associates and joint ventures	77,067	(7,736)	-	69,331
Bargain purchase gain	-	-	948,610	948,610
Other income and expense	3,618,502	(237,376)	-	3,381,126
Income tax expense	(27,078,735)	(4,438,534)	(1,775,403)	(33,292,672)
Profit/(loss) for the year	147,802,271	(31,675,066)	7,101,614	123,228,819
Other key segment information				
Capital expenditures for property, plant and equipment	331,468,015	36,638,487	3,102,975	371,209,477
Depreciation of property, plant and equipment	48,377,917	10,959,553	1,821,586	61,159,056

(in thousands of tenge unless otherwise stated)

	For the year ended December 31, 2010 (restated)			
	Cargo transportation	Passenger transportation	Unallocated results	Total
Key operating measures				
Revenue – external and intersegment revenue	725,408,794	88,322,618	133,209,285	946,940,697
Intersegment revenue	(221,262,783)	(21,704,374)	(121,592,732)	364,559,889
Revenue	504,146,011	66,618,244	11,616,553	582,380,808
Cost of sales	(305,066,682)	(82,890,120)	(9,462,081)	(397,418,883)
General and administrative expense	(58,944,114)	(8,840,517)	(1,379,595)	(69,164,226)
Selling expenses	(121,788)	-	-	(121,788)
Finance income	3,141,913	147,778	-	3,289,691
Finance costs	(12,928,225)	(70,706)	-	(12,998,931)
Foreign exchange (loss)/gain	(295,957)	177,305	-	(118,652)
Reversal of/(loss from) impairment of property, plant and equipment	151,430	(45,002)	-	106,428
Share of profit of associates and joint-ventures	242,810	-	-	242,810
Other income and expense	1,923,998	(38,962)	-	1,885,036
Income tax expense	(39,654,022)	(1,736,544)	(154,975)	(41,545,541)
Profit/(loss) for the year	92,595,374	(26,678,524)	619,902	66,536,752
Other key segment information				
Capital expenditures for property, plant and equipment	169,993,589	25,332,820	13,963,113	209,289,522
Depreciation of property, plant and equipment	41,034,348	9,567,275	1,276,083	51,877,706

Geographical information for the Group

The Group derives its revenues from customers in multiple geographical regions. The table below provides revenue based on customer country of domicile for each of the years ended December 31.

Customer country of domicile	2011	2010 (restated)
Kazakhstan	690,780,995	570,740,523
Russia	4,819,874	4,481,172
Uzbekistan	2,800,627	2,588,390
China	2,088,960	1,987,857
Turkmenistan	721,916	714,937
Other	1,536,970	1,867,929
	702,749,342	582,380,808

Substantially all of the Group's non-current assets are in Kazakhstan.

4. BUSINESS COMBINATION UNDER COMMON CONTROL

In April 2011, in accordance with the railway infrastructure development program for the years 2010-2014 approved by Government Degree #1006 dated September 30, 2010 and the decision of the management board of JSC NWF Samruk-Kazyna #61/10 dated November 1, 2010, the Shareholder transferred its 100% ownership interest in Repair Corporation Kamkor LLP to the Company.

Repair Corporation Kamkor LLP, prior to the transfer date, held a 33.4% interest in Kazakhstan Wagon Construction Company. In addition, JSC Kaztemirtrans, a subsidiary of the Group, held a 33.3% interest in Kazakhstan Wagon Construction Company. Consequently, as a result of the transfer of control to Repair Corporation Kamkor LLP to the Group, the Group also obtained control Kazakhstan Wagon Construction Company.

As the transfer of Repair Corporation Kamkor LLP represents a business combination under common control, these consolidated financial statements have been prepared as if the transfer of Repair Corporation Kamkor LLP had occurred at the beginning of the earliest period presented (i.e. January 1, 2010), and, as a result, the related comparative data as at December 31, 2010 and January 1, 2010 have been restated. The assets and liabilities were recorded in these consolidated financial statements at the carrying amounts in their financial statements with a corresponding credit to retained earnings.

(in thousands of tenge unless otherwise stated)

Effect of the significant changes of comparative data is presented below:

	As previously reported	Business combination under common control	Eliminations	As reported
Effect on financial position at December 31, 2010				
Property, plant and equipment	978,927,703	16,372,767	(1,771,450)	993,529,020
Other non-current assets	39,429,912	1,706,338	(4,017,576)	37,118,674
Total current assets	282,109,121	22,455,542	(8,239,772)	296,324,891
Total assets	**1,300,466,736**	**40,534,647**	**(14,028,798)**	**1,326,972,585**
Equity attributable to owner of the Company	752,202,863	7,847,505	(195,989)	759,854,379
Non-controlling interests	(2,089)	6,441,294	(750,346)	5,688,859
Total equity	**752,200,774**	**14,288,799**	**(946,335)**	**765,543,238**
Total non-current liabilities	297,044,866	7,698,569	-	304,743,435
Total current liabilities	251,221,096	18,547,279	(13,082,463)	256,685,912
Total liabilities	**548,265,962**	**26,245,848**	**(13,082,463)**	**561,429,347**
Total equity and liabilities	**1,300,466,736**	**40,534,647**	**(14,028,798)**	**1,326,972,585**
Effect on financial position at January 1, 2010				
Property, plant and equipment	833,599,921	12,141,628	-	845,741,549
Other non-current assets	16,897,767	169,601	(700,258)	16,367,110
Total current assets	144,315,786	17,616,657	(5,671,035)	156,261,408
Total assets	**994,813,474**	**29,927,886**	**(6,371,293)**	**1,018,370,067**
Equity attributable to owner of the Company	661,003,193	6,835,740	(62,869)	667,776,064
Non-controlling interests	-	5,661,746	(586,380)	5,075,366
Total equity	**661,003,193**	**12,497,486**	**(649,249)**	**672,851,430**
Total non-current liabilities	213,171,640	1,824,629	-	214,996,269
Total current liabilities	120,638,641	15,605,771	(5,722,044)	130,522,368
Total liabilities	**333,810,281**	**17,430,400**	**(5,722,044)**	**345,518,637**
Total equity and liabilities	**994,813,474**	**29,927,886**	**(6,371,293)**	**1,018,370,067**

(in thousands of tenge unless otherwise stated)

	As previously reported	Business combination under common control	Eliminations	As reported
Effect on the statement of comprehensive income for the year ended December 31, 2010:				
Revenue	583,900,194	74,416,891	(75,936,277)	582,380,808
Gross profit	177,466,515	8,548,180	(1,052,770)	184,961,925
Profit before taxation	105,024,871	3,354,508	(297,086)	108,082,293
Profit for the year	65,162,420	1,671,418	(297,086)	66,536,752
Profit attributable to the owner of the Company	65,175,379	754,245	(11,984)	65,917,640
Effect on the statement of cash flows for the year ended December 31, 2010:				
Cash flows from/(used in) operating activities	180,982,606	(3,797,614)	(11,564,558)	165,620,434
Cash flows (used in)/from investing activities	(313,860,679)	(287,880)	11,564,558	(302,584,001)
Cash flows from financing activities	175,108,231	4,710,411	-	179,818,642

(in thousands of tenge unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment for the year ended December 31, 2011 was as follows:

	Land	Buildings and constructions	Railway infrastructure	Machinery and equipment	Railway transport	Other transport	Other	Capital construction in progress	Total
Historical cost:									
As at December 31, 2010 (restated)	1,065,275	110,399,068	453,431,973	140,647,286	385,171,462	10,686,867	8,392,203	133,107,879	1,242,902,013
Additions	48,214	217,210	29,864	10,675,360	40,982,399	803,878	687,181	299,795,133	353,239,239
Acquired through business combination (Note 30)	652,786	4,118,219	-	2,633,901	6,057	114,583	640,026	3,438,148	11,603,720
Transfers	93,629	14,604,216	128,308,827	55,260,040	127,920,530	332,288	1,119,690	(327,639,220)	-
Disposals	(43,056)	(1,467,901)	(134,692)	(1,225,467)	(3,139,975)	(131,207)	(145,218)	-	(6,287,516)
Transfer to inventory	-	-	(9,099,162)	(21,267)	(660)	(54)	(14,083)	-	(9,135,226)
Transfer to other non-current assets (Note 9)	-	(35,295)	-	-	-	-	-	(8,975,335)	(9,010,630)
Transfer to intangible assets (Note 6)	-	-	-	-	-	-	-	(3,863,139)	(3,863,139)
Transfer to investment property (Note 8)	(54,398)	(5,022,058)	-	(1,848,774)	-	-	-	-	(6,925,230)
As at December 31, 2011	1,762,450	122,813,459	572,536,810	206,121,079	550,939,813	11,806,355	10,679,799	95,863,466	1,572,523,231
Accumulated depreciation and impairment:									
As at December 31, 2010 (restated)	-	(9,851,618)	(64,066,272)	(38,714,392)	(126,789,245)	(3,331,983)	(3,134,150)	(3,485,333)	(249,372,993)
Charge for the year	-	(3,185,748)	(15,414,627)	(13,125,919)	(27,629,565)	(1,195,638)	(953,910)	-	(61,505,407)
Loss from impairment for the year	-	376,923	(769,041)	(83,736)	(64,908)	5,786	10,264	(378,347)	(903,059)
Transfers	-	94,347	140,767	20,233	(245,839)	(25,246)	15,738	-	-
Disposals	-	770,327	86,627	1,004,810	2,724,446	82,347	120,097	-	4,788,654
Transfer to inventory	-	-	3,572,135	9,506	660	54	9,855	-	3,592,210
Transfer to investment property (Note 8)	-	111,602	-	234,749	-	-	-	-	346,351
As at December 31, 2011	-	(11,684,167)	(76,450,411)	(50,654,749)	(152,004,451)	(4,464,680)	(3,932,106)	(3,863,680)	(303,054,244)
Net book value:									
As at December 31, 2011	1,762,450	111,129,292	496,086,399	155,466,330	398,935,362	7,341,675	6,747,693	91,999,786	1,269,468,987

(in thousands of tenge unless otherwise stated)

The movement of property, plant and equipment for the year ended December 31, 2010 was as follows:

	Land	Buildings and construc-tions	Railway infrastructure	Machinery and equipment	Railway transport	Other transport	Other	Capital construction in progress	Total
Historical cost:									
As at January 1, 2010 (restated)	946,862	72,512,040	427,592,681	120,888,378	343,607,567	9,881,817	7,679,657	70,859,732	1,053,968,734
Additions	107,362	554,912	17,268	5,256,819	11,064,319	736,317	320,829	191,316,809	209,374,635
Transfers	23,439	37,875,914	36,828,341	16,092,590	35,973,394	128,516	502,860	(127,425,054)	-
Disposals	(4,471)	(192,445)	(607,104)	(1,483,266)	(5,369,182)	(55,260)	(94,563)	(25,609)	(7,831,900)
Transfer to inventory	(7,917)	(351,353)	(10,399,213)	(107,235)	(104,636)	(4,523)	(16,580)	(39,584)	(11,031,041)
Transfer to intangible assets (Note 6)	-	-	-	-	-	-	-	(1,578,415)	(1,578,415)
As at December 31, 2010 (restated)	1,065,275	110,399,068	453,431,973	140,647,286	385,171,462	10,686,867	8,392,203	133,107,879	1,242,902,013
Accumulated depreciation and impairment:									
As at January 1, 2010 (restated)	-	(8,019,110)	(54,338,513)	(29,661,596)	(108,300,359)	(2,272,182)	(2,269,869)	(3,365,556)	(208,227,185)
Charge for the year	-	(2,206,895)	(13,551,564)	(10,287,930)	(23,757,919)	(1,103,169)	(970,229)	-	(51,877,706)
Recovered impairment for the year	-	127,041	1,511	56,339	43,965	(5,393)	2,742	(119,777)	106,428
Transfers	-	92,327	(61,373)	(30,824)	(29,194)	6,737	22,327	-	-
Disposals	-	154,213	378,040	1,202,140	5,245,905	42,007	80,500	-	7,102,805
Transfer to inventory	-	806	3,505,627	7,479	8,357	17	379	-	3,522,665
As at December 31, 2010 (restated)	-	(9,851,618)	(64,066,272)	(38,714,392)	(126,789,245)	(3,331,983)	(3,134,150)	(3,485,333)	(249,372,993)
Net book value:									
As at December 31, 2010 (restated)	1,065,275	100,547,450	389,365,701	101,932,894	258,382,217	7,354,884	5,258,053	129,622,546	993,529,020
Net book value:									
As at January 1, 2010 (restated)	946,862	64,492,930	373,254,168	91,226,782	235,307,208	7,609,635	5,409,788	67,494,176	845,741,549

The Group's assets include assets related to the Khromtau-Altynsarin railway, which connects the western and northern parts of the Republic of Kazakhstan and thus locks the railway infrastructure of the Republic of Kazakhstan into one network. The Group participated in a project to develop this railway, which consisted of two sections: Khromtau-Aiteke Bi ("first part") and Aiteke Bi-Altynsarin ("second part"). The construction of this railway was initiated by the Ministry of Transportation and Communication of the Republic of Kazakhstan and was financed 64% by the Government from the state budget with the remainder financed by the Group.

The first part of the Project was completed in 2006 and the second part in 2007. The Group recognized the full construction cost, including 21,013,822 thousand tenge financed by the Government, as railway assets. The assets financed by the Group and those financed by the Government cannot be physically separated. This was recognised as a Shareholder contribution in additional paid-in capital in the statement of changes in equity (Note 16). In October 2011 the Shareholder transferred legal title to these railway assets to Group.

(in thousands of tenge unless otherwise stated)

As at December 31, 2011 and 2010, and January 1, 2010, property, plant and equipment of the Group with a carrying value of 50,007,759 thousand tenge, 46,580,791 thousand tenge and 47,164,038 thousand tenge, respectively, was pledged as collateral for a portion of the Group's borrowings (Note 17).

As at December 31, 2011 and 2010, and January 1, 2010, the cost of fully depreciated property, plant and equipment amounted to 171,066,735 thousand tenge, 143,654,379 thousand tenge and 172,489,980 thousand tenge, respectively.

As at December 31, 2011 the carrying value of property, plant and equipment under finance lease included in equipment and capital construction in progress amounted to 7,191,245 thousand tenge (December 31, 2010: 6,857,295 thousand tenge, January 1, 2010: 7,369,941 thousand tenge).

As at December 31, 2011 the carrying value of property, plant and equipment of JSC Transtelecom, a subsidiary, restricted in use due to a court decision amounted to nil (December 31, 2010: 3,220,815 thousand tenge, January 1, 2010: nil).

6. INTANGIBLE ASSETS

The movement of intangible assets for the year ended December 31, 2011 is as follows:

	Licenses	Software	Other[(1)]	Goodwill	Total
Cost:					
As at December 31, 2010 (restated)	689,531	7,303,574	763,461	-	8,756,566
Additions	215,347	21,248	105,114	-	341,709
Business acquisitions (Note 30)	-	-	26,021	322,335	348,356
Transfer from inventory	-	15,349	-	-	15,349
Transfer from property, plant and equipment (Note 5)	-	3,863,139	-	-	3,863,139
Other transfers between categories	(126,048)	184,920	(58,872)	-	-
Disposals	(112)	(236,449)	-	-	(236,561)
As at December 31, 2011	778,718	11,151,781	835,724	322,335	13,088,558
Accumulated amortization:					
As at December 31, 2010 (restated)	(542,524)	(2,768,310)	(101,621)	-	(3,412,455)
Charge for the year	(102,061)	(1,282,853)	(113,103)	-	(1,498,017)
Other transfers between categories	107,488	(116,917)	9,429	-	-
Disposals	112	178,545	-	-	178,657
As at December 31, 2011	(536,985)	(3,989,535)	(205,295)	-	(4,731,815)
Net book value as at December 31, 2011	241,733	7,162,246	630,429	322,335	8,356,743

(in thousands of tenge unless otherwise stated)

The movement of intangible assets for the year ended December 31, 2010 is as follows:

	Licenses	Software	Other(1)	Total
Cost:				
As at January 1, 2010 (restated)	701,451	5,438,205	763,409	6,903,065
Additions	2,044	369,471	52	371,567
Transfer from property, plant and equipment (Note 5)	-	1,578,415	-	1,578,415
Disposals	(13,964)	(82,517)	-	(96,481)
As at December 31, 2010 (restated)	689,531	7,303,574	763,461	8,756,566
Accumulated amortization:				
As at January 1, 2010 (restated)	(374,558)	(1,902,260)	(88,759)	(2,365,577)
Charge for the year	(181,563)	(947,420)	(12,862)	(1,141,845)
Disposals	13,597	81,370	-	94,967
As at December 31, 2010 (restated)	(542,524)	(2,768,310)	(101,621)	(3,412,455)
Net book value as at December 31, 2010 (restated)	147,007	4,535,264	661,840	5,344,111
Net book value as at January 1, 2010 (restated)	326,893	3,535,945	674,650	4,537,488

(1) "Other" represents technical documentation, design of technological process for assembling diesel locomotives and maintenance manuals, none of which are individually material. The amortisation period for intangible assets included within "Other" ranges from one year to 10 years.

As at December 31, 2011 the cost of fully amortized intangible assets, represented by software used by the Group in operations, which were still in use amounted to 1,449,316 thousand tenge (December 31, 2010: 545,109 thousand tenge, January 1, 2010: 406,691 thousand tenge).

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures comprised the following as at December 31, 2011, 2010 and January 1, 2010:

Associate company	Nature of activities	December 31, 2011		December 31, 2010 (restated)		January 1, 2010 (restated)	
		Carrying value	% of share capital held	Carrying value	% of share capital held	Carrying value	% of share capital held
JSC Kedentransservice	Transportation and customs clearance service	2,186,636	33.00	2,075,034	33.00	1,832,224	33.00
OJSC Roskazzheldortrans	Freight forwarding to foreign markets	-	50.00	-	50.00	20,442	50.00
LLP Electrovoz kurastyru zauyty	Electric locomotives production	2,752,868	50.00	71	50.00	-	-
Other		-	34-50	71	46.02-50	-	37.03
		4,939,504		2,075,176		1,852,666	

Others comprise of investments in associates and joint ventures either on development stage or dormant. As at December 31, 2011 the Group recognized share in losses of these entities and impairment losses resulting in write down of investments to nil.

(in thousands of tenge unless otherwise stated)

During 2010 and 2009, pursuant to a decree from the Shareholder, the Group purchased 8.99% and 37.03% of the issued shares in JSC Doszhan Temir Zholy, a party under common control of the Shareholder, for 3,880,000 thousand tenge and 1,578,000 thousand tenge, respectively. The estimated fair value of such shares at the date of transfer and as at December 31, 2011 and 2010, and January 1, 2010 was nil and therefore the investment has been recognised in the consolidated statement of financial position at nil value. The difference between the amount paid and the fair value of the shares acquired has been reflected as a distribution to the Shareholder in the consolidated statement of changes in equity.

As at December 31, 2011 and 2010, and January 1, 2010 and for the years then ended, summary financial information for the Group's investments in associates and joint ventures is as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Total assets	35,131,409	9,685,907	9,287,693
Total liabilities	(23,059,964)	(3,397,642)	(3,694,614)
Net assets	12,071,445	6,288,265	5,593,079
Group's share of net assets of associates and joint ventures	4,939,504	2,075,176	1,852,666

	2011	2010 (restated)
Total revenue	10,916,902	6,552,321
Total profit	193,115	735,789
Group's share of profit of associates and joint ventures	69,331	242,810

(in thousands of tenge unless otherwise stated)

8. INVESTMENT PROPERTY

The movement of investment property for the year ended December 31, 2011 is as follows:

	Land	Buildings	Machinery and equipment	Total
Cost:				
As at December 31, 2010	-	-	-	-
Transfer from property, plant and equipment (Note 5)	54,398	5,022,058	1,848,774	6,925,230
As at December 31, 2011	54,398	5,022,058	1,848,774	6,925,230
Accumulated depreciation and impairment:				
As at December 31, 2010	-	-	-	-
Transfer from property, plant and equipment (Note 5)	-	(111,602)	(234,749)	(346,351)
As at December 31, 2011		(111,602)	(234,749)	(346,351)
Net book value:				
As at December 31, 2011	54,398	4,910,456	1,614,025	6,578,879

9. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Advances to suppliers for property, plant and equipment	42,752,592	29,147,127	9,006,910
VAT receivable	17,324,330	24,512,391	15,513,721
Assets for sale to the Government (Note 5)	9,010,630	-	-
Advance payment on residential properties less impairment	403,956	1,329,596	1,506,126
Other	1,447,257	651,956	301,525
	70,938,765	55,641,070	26,328,282
Less: allowance for advances to suppliers for property, plant and equipment	(2,012,763)	(2,538,597)	(1,946,910)
Less: allowance for unrecoverable VAT receivable	(13,497,661)	(23,403,086)	(14,404,416)
	55,428,341	29,699,387	9,976,956

(in thousands of tenge unless otherwise stated)

As at December 31, 2011 advances to suppliers for property, plant and equipment primarily represent prepayments for the construction of Uzen – state border with Turkmenistan and Khorgoz – Zhetigen railway lines of 4,260,991 thousand tenge (December 31, 2010: 9,654,316 thousand tenge, January 1, 2010: nil), advances paid for the supply of locomotives of 6,038,012 thousand tenge (December 31, 2010: nil; January 1, 2010: 1,774,308 thousand tenge), advances paid for the supply of passenger wagons of 9,359,242 thousand tenge (December 31, 2010: nil; January 1, 2010: 1,741,099 thousand tenge), advances paid for the supply of cargo wagons of 7,939,424 thousand tenge (December 31, 2010: nil; January 1, 2010: nil) and advances paid for the purchase of spare parts for assembly of locomotives of 10,719,558 thousands tenge (December 31, 2010: 12,788,649 thousand tenge; January 1, 2010: nil).

In 2011, the ultimate Shareholder issued the Company with a decree in which it requested that the Company, at the end of the construction phase, sell certain assets, constructed within railway lines construction projects, to the ultimate Shareholder at a yet to be agreed amount. The sale is expected to occur in 2013 and while the sales price is yet to be agreed, it is expected to be at a minimum, as the carrying value of the said assets. In these consolidated financial statements such assets have been presented within other non-current assets.

The movement in the allowance for advances to suppliers for property, plant and equipment for the years ended December 31, is as follows:

	2011	2010 (restated)
Allowance for advances to suppliers for property, plant and equipment at the beginning of the year	(2,538,597)	(1,946,910)
Recovered/(accrued) during the year	61,140	(593,003)
Written off during the year against the allowance previously recorded	464,694	1,316
Allowance for advances to suppliers for property, plant and equipment at the end of the year	(2,012,763)	(2,538,597)

The movement in the allowance for unrecoverable VAT receivable for the years ended December 31, were as follows:

	2011	2010 (restated)
Allowance for unrecoverable VAT receivable at the beginning of the year	(23,403,086)	(14,404,416)
Recovered/(accrued) for the year	9,905,425	(8,998,670)
Allowance for unrecoverable VAT receivable at the end of the year	(13,497,661)	(23,403,086)

Recovered allowance for unrecoverable VAT includes 8,356,191 thousand tenge which was reversed due to changes in methodology of VAT refunds calculation according to the Kazakhstan tax law.

(in thousands of tenge unless otherwise stated)

10. INVENTORIES

Inventories comprised the following as at December 31, 2011and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Materials and supplies	14,371,690	12,461,418	11,655,981
Spare parts	12,739,945	13,140,327	12,521,151
Fuel	6,742,290	1,375,050	1,241,676
Upper railway components	1,379,128	1,554,358	843,386
Construction components	983,652	768,328	704,910
Finished goods	1,465,284	351,088	424,489
Work in process	4,444,090	2,079,081	1,021,282
Other	977,697	966,049	996,028
Less: Allowance for obsolete and slow-moving inventories	(1,619,110)	(1,924,805)	(2,377,773)
	41,484,666	30,770,894	27,031,130

The movements in the allowance for obsolete and slow-moving inventories were as follows for the years ended December 31:

	2011	2010 (restated)
Allowance for obsolete and slow-moving inventories at the beginning of the year	(1,924,805)	(2,377,773)
Recovered during the year	291,770	344,448
Written off during the year	13,925	108,520
Allowance for obsolete and slow-moving inventories at the end of the year	(1,619,110)	(1,924,805)

11. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Trade accounts receivable	9,772,597	10,147,759	12,495,771
Less: Allowance for doubtful debts	(5,204,454)	(4,944,335)	(5,091,628)
	4,568,143	5,203,424	7,404,143

As at December 31, 2011 eight debtors represented 37% of the Group's trade accounts receivable (December 31, 2010: 48%, January 1, 2010: 55%).

(in thousands of tenge unless otherwise stated)

The movements in the allowance for doubtful debts were as follows for the years ended December 31:

	2011	2010 (restated)
Allowance for doubtful debts at the beginning of the year	(4,944,335)	(5,091,628)
Accrued during the year	(346,512)	(419,515)
Written off during the year against the allowance previously recorded	86,393	566,808
Allowance for doubtful debts at the end of the year	(5,204,454)	(4,944,335)

As at December 31, 2011 and 2010, and January 1, 2010 the Group's trade accounts receivable, net of allowance for doubtful debts, were denominated in various currencies as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Tenge	2,641,528	3,278,583	3,500,840
Swiss Francs	1,383,016	1,576,367	3,771,321
US Dollars	479,136	337,857	119,943
Russian Rubles	64,463	10,617	12,039
	4,568,143	5,203,424	7,404,143

12. OTHER FINANCIAL ASSETS

As at December 31, 2011 and 2010, and January 1, 2010 other financial assets represent bank deposits with original maturities of greater than three but less than twelve months:

	December 31, 2011		December 31, 2010		January 1, 2010	
	Interest rate	Amount	Interest rate	Amount	Interest rate	Amount
JSC Kazkommertsbank	3%-4.5%	11,810,699	4.00-6.50%	40,466,935	-	-
JSC Halyk Bank of Kazakhstan (Note 34)	1%	3,004,657	2.00-4.00%	32,914,415	5.00-7.00%	10,173,176
JSC ATF Bank	2.6%-3.6%	20,439,594	3.15-4.00%	20,720,016	-	-
JSC SB Sberbank of Russia	4.5%-5%	12,500,000	2.00-3.00%	14,026,388	4.00%	4,410,729
JSC SB HSBC Bank Kazakhstan	-	-	2.42-2.55%	7,836,438	-	-
JSC Bank CenterCredit	2.5%	2,994,000	4.20-5.00%	3,621,640	3.40-5.00%	2,953,440
JSC Kazinvest Bank	-	-	6.50%	2,000,000	-	-
JSC Alliance Bank (Note 34)	7.00%	59,500	7.00%	22,000	-	-
		50,808,450		121,607,832		17,537,345
Accrued interest receivable		413,214		593,563		169,635
		51,221,664		122,201,395		17,706,980

(in thousands of tenge unless otherwise stated)

As at December 31, 2011 and 2010, and January 1, 2010 other financial assets were denominated in the following currencies:

	December 31, 2011	December 31, 2010	January 1, 2010
Tenge	22,699,504	29,995,556	3,396,240
US Dollars	28,522,160	92,205,839	14,310,740
	51,221,664	122,201,395	17,706,980

13. ASSET HELD FOR THE BENEFIT OF THE SHAREHOLDER

In May 2010 the Government directed the Group to construct a building for a teleradio complex in Astana at the Group's expense. The Group will take title to the land and assets during the construction period and, upon completion, the land and building will be transferred to the ultimate Shareholder for no consideration. Group's management formally approved the construction project in November 2010, which confirmed the Group's entrance into an irrevocable commitment to the Government and resulted in immediate recognition of a distribution to the Shareholder and an obligation of 27,129,708 thousand tenge (Notes 16 and 24). Also, in 2010 the Group entered into an agreement with a construction company and begun construction on the building. As a result the Group had recognized costs of construction of 1,467,483 thousand tenge and prepaid advances for further construction of 7,702,801 thousand tenge. These costs of 9,170,284 thousand tenge were recognised as a current asset (Asset held for the benefit of the Shareholder) in the consolidated statement of financial position since as at December 31, 2010 it was expected that these assets would be transferred to the ultimate Shareholder during 2011. In 2011, the Group concluded an addendum on prolongation of construction till April 30, 2012.

In March 2011, the Group confirmed acceptance of a further obligation to fit out the building with media and technical equipment to enable it to function as a teleradio complex. In 2011, the Group entered into an agreement for supply of media and technical equipment for installation within the teleradio complex as well as incurred costs on acquisition of land for construction (Notes 16 and 24). This acceptance of the Group's entrance into an irrevocable commitment to the Government and was reflected as a further distribution to the ultimate Shareholder and a liability of 28,614,107 thousand tenge.

As at December 31, 2011 the Group had recognized total costs of construction of this complex, supply of media and technical equipment, acquisition of land of 42,469,126 thousand tenge and prepaid advances for further construction of 2,858,297 thousand tenge and advances for supply of media and technical equipment of 2,449,597 thousand tenge. These costs are recognized as current assets held for the benefit of the ultimate Shareholder in the consolidated statement of financial position since it is expected that these assets will be transferred to the Shareholder upon completion of construction.

(in thousands of tenge unless otherwise stated)

14. OTHER CURRENT ASSETS

Other current assets comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
VAT recoverable	29,581,540	12,600,692	24,299,015
Other taxes prepaid	740,991	10,609,809	11,037,579
Advances paid	6,343,204	4,116,071	4,126,406
Claims	1,665,898	1,254,115	1,159,290
Prepaid expense	597,877	527,732	519,855
Transfers to institutions	291,997	292,022	292,069
Other	3,931,468	2,852,634	3,168,747
	43,152,975	32,253,075	44,602,961
Less: Allowance for doubtful debts	(4,715,601)	(4,453,489)	(4,793,529)
	38,437,374	27,799,586	39,809,432

The current VAT recoverable represents the amount the Group expects to recover against VAT liabilities in the upcoming year.

During 2011 prepaid withholding income tax on non-residents and penalty of 9,550,799 thousand tenge (included within other taxes prepaid in the table above) were refunded by the tax authorities as a result of a Supreme Court final decision made in 2010 to the benefit of the Group related to the tax audit of the Group for the years 2003-2006.

The movements in the allowance for doubtful debts related to other current assets were as follows for the years ended December 31:

	2011	2010 (restated)
Allowance for doubtful debts at the beginning of the year	(4,453,489)	(4,793,529)
Accrued during the year	(833,333)	(263,302)
Written off during the year against the allowance previously recorded	571,221	603,342
Allowance for doubtful debts at the end of the year	(4,715,601)	(4,453,489)

(in thousands of tenge unless otherwise stated)

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2010	December 31, 2010 (restated)	January 1, 2010 (restated)
Cash in current accounts in tenge	98,418,075	58,631,020	18,526,255
Cash in current accounts in US Dollars	4,416,695	18,668,910	5,976,135
Cash in current accounts in Russian rubles	225,624	1,980,123	110,841
Cash in current accounts in Swiss francs	35,779	1,194,157	133,740
Cash in current accounts in Euro	22,087	35,018	1,389,909
Short-term bank deposits in tenge	21,038,894	9,991,339	12,739,418
Short-term bank deposits in US Dollars	5,367,475	6,337,322	15,081,169
Short-term bank deposits in Euro	637,469	649,140	723,656
Petty cash	49,851	26,068	25,662
	130,211,949	97,513,097	54,706,785

Cash in current accounts earns interest at floating rates based on daily bank deposit rates ranging from 0.05% to 5.50% per annum (2010: 0.20% to 9.50% per annum, 2009: from 0.50% to 9.00% per annum).

Short-term bank deposits in tenge and foreign currency are placed for varying periods of up to three months depending on the Group's immediate cash requirements and earn interest at the respective short-term deposit rates ranging from 0.3% to 2.32% per annum (2010: 0.1% to 9.1% per annum, 2009: from 0.50% to 11.25% per annum).

As at December 31, 2011 the Group's deposits with an original maturity of less than three months and cash in current accounts, which are in banks that are related parties of the Group, amounted to 6,650,510 thousand tenge and 59,070,906 thousand tenge, respectively (December 31, 2010: deposits with an original maturity of less than three months – 301,000 thousand tenge and cash on current accounts – 32,203,735 thousand tenge, January 1, 2010: deposits with an original maturity of less than three months - 20,237,436 thousand tenge and cash on current accounts – 9,927,601 thousand tenge) (Note 34).
As at December 31, 2011 future cash inflows of nil were pledged (December 31, 2010 and January 1, 2010: 12,803,421 US Dollars) (Note 17).

16. EQUITY

Share capital consists of the following at December 31, 2011 and 2010, and January 1, 2010:

	Number of shares authorized	Number of shares issued and paid	Share capital, in thousands of tenge
As at January 1, 2010	502,040,458	486,220,457	486,220,457
Cash contributions			
Shares paid on February 10, 2010	-	4,880,000	4,880,000
Shares paid on June 25, 2010	-	9,200	9,200,000
Shares paid on July 9, 2010	-	20,800	20,800,000
As at December 31, 2010	502,040,458	491,130,457	521,100,457
Cash contributions			
Shares paid on July 28, 2011	-	18,445	17,578,867
Non-cash contributions			
Transfer of ownership in Repair Corporation Kamkor LLP to the Company (April 5, 2011)	-	10,255	10,255,000
Transfer due to contribution of legal title to railway assets (November 9, 2011, Note 5)	-	31,255	30,482,773
As at December 31, 2011	502,040,458	491,190,412	579,417,097

The Company's initial share capital was established through a series of share issuances in exchange for either cash or property, plant and equipment. The Shareholder is entitled to dividends, a part of the Company's property in case of its liquidation, and preference in purchasing the Company's shares or other securities convertible to the Company's shares.

Upon each issuance of share capital the par value is determined and any change in par value from that previously determined does not apply retrospectively.

Contributions

During 2011, the Shareholder contributed to the Company's share capital (including additional paid-in capital and unissued share capital):

(a) cash of 90,821,510 thousand tenge;
(b) non-current assets of 1,203,236 thousands tenge;
(c) the Shareholder's 100% ownership interest in Repair Corporation Kamkor LLP valued at 10,255,000 thousand tenge; and,
(d) the Shareholder's legal title on the Khromtau-Altynsarin railway assets valued at 30,482,773 thousand tenge, which were reflected in Khromtau-Altynsarin railway assets as additional paid in capital at the cost of construction financed by the Government in the amount of 21,013,822 thousand tenge (Note 5) as at December 31, 2010. The difference between the estimated value and the costs of construction incurred by the Government has been reflected within retained earnings of 9,468,951 thousand tenge.

In addition, during 2011 a fair value adjustment to loans of 10,271,770 thousand tenge less deferred tax effect of 2,054,354 thousand tenge were recognized within additional paid-in capital (Note 17).

During 2010, the Shareholder contributed to the Company's share capital 52,458,867 thousand tenge (including additional paid-in capital and unissued share capital), in the form of cash.

In addition, during 2010 a fair value adjustment to loans of 9,694,252 thousand tenge less deferred tax effect of 1,938,850 thousand tenge were recognized within additional paid-in capital (Note 17).

Dividends and distributions

Dividends

As at December 31, 2011 the Group declared dividends of 9,776,307 thousand tenge relating to 2010 (2010: 2,923,319 thousand tenge relating to 2009).

Distributions

Construction of a building for a teleradio complex for the benefit of the Shareholder

As described in Note 13 above, in May 2010 the Group entered into an irrevocable commitment with the Government to construct a building for a teleradio complex that, upon completion, will be transferred to the ultimate Shareholder. As an irrevocable commitment to transfer an asset to the Shareholder was agreed prior to December 31, 2010, the transfer of 27,129,708 thousand tenge was recognized as a distribution in the consolidated statement of changes in equity in the year ended December 31, 2010.

In March 2011, the Group confirmed acceptance of a further obligation to fit out the building with media and technical equipment to enable it to function as a teleradio complex. This resulted in the recognition of a further distribution to the Shareholder of 28,125,000 thousand tenge plus costs incurred in connection with acquisition of land for construction of 489,107 thousand tenge.

Purchase of additional shares in JSC Doszhan Temir Zholy

As discussed in Note 7, pursuant to a decree of the Shareholder, the Group used cash of 3,880,000 thousand tenge in the year ended December 31, 2010 to purchase an 8.99% investment in an entity under common control of the Shareholder, JSC Doszhan Temir Zholy (January 1, 2010: 37.03% for 1,578,000 thousand tenge). At the date of purchase, the shares had a fair value of nil. Consequently, the Group recognised the full purchase price of 5,458,000 thousand tenge as a distribution to the Shareholder.

Charity provided to the ultimate Shareholder

In May 2011 the Group provided a donation of 1,100,000 thousand tenge to the local akimat of Western-Kazakhstan oblast for recovery of damages as a result of floods. Due to the fact that this transaction was performed with the ultimate Shareholder, the Group recorded the effect of this transaction as a distribution to Shareholder.

(in thousands of tenge unless otherwise stated)

17. BORROWINGS

Borrowings, including accrued interest, comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	Currency	Installments	Interest rate	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Short-term borrowings:						
JSC Citibank Kazakhstan:						
Loan 1	US Dollars	December 29, 2010	1-month LIBOR for USD denominated deposits + 4.5%	-	-	4,458,526
Loan 2	Tenge	April 20, 2012	4.75%	4,400,580	-	-
Notes of JSC Citibank Kazakhstan	Tenge	December 20, 2011, January 16, 2012	-	2,970,000	-	-
JSC ATF Bank	Tenge	February 2012 – October 2012	10%	2,234,538	-	-
JSC Halyk Bank of Kazakhstan	Tenge	December 2011 – April 2012	10.02%-10.5%	654,875	1,608,058	-
JSC Halyk Bank of Kazakhstan	Tenge	April 25, 2012 – October 24, 2012	5.5%-6%	7,061,333	-	-
Other loans	Tenge	March 2012	10%-15%	302,961	-	401,500
Long-term borrowings:						
ABN Amro Bank N.V.:						
Loan 1	US Dollars	16 semi-annual installments commencing October 15, 2004 (last installment, April 15, 2012)	6-month LIBOR for USD denominated deposits + 0.13%	290,291	842,676	1,407,309
Loan 2	US Dollars	32 quarterly installments commencing May 15, 2005 (last installment, May 15, 2014)	3-month LIBOR for USD denominated deposits + 0.07%	3,952,249	6,009,273	8,152,320
Loan 3	US Dollars	3 semi-annual installments commencing August 4, 2010 (last installment, August 4, 2011)	6-month LIBOR for USD denominated deposits + 1.2%	-	13,962,262	21,064,094
Japan Bank for International Cooperation ("JBIC")	Japanese Yen	37 semi-annual installments commencing December 20, 2002 (last installment, December 20, 2020)	3.00%	6,663,706	7,016,468	6,865,284
Instituto de Credito Oficial ("ICO")	US Dollars	25 semi-annual installments commencing July 9, 2009 (last installment, July 9, 2021)	2.50%	3,292,686	3,597,548	3,950,158
JSC Development Bank of Kazakhstan (Note 34):						
Loan 1	US Dollars	15 semi-annual installments commencing June 4, 2006 (last installment, June 4, 2013)	9.80%	563,005	931,766	1,314,034
Loan 2	Tenge	7 semi-annual installments commencing March 8, 2012 (last installment, March 8, 2015)	8%	1,380,506	966,755	-
JSC European Bank of Reconstruction and Development (EBRD):						
Loan 1	US Dollars	15 semi- installments commencing September 2011 (last installment, September 2018)	6-month LIBOR for USD denominated deposits + 3.25-3.35%	14,482,994	11,692,842	-
Loan 2	US Dollars	15 semi-annual installments commencing April 13, 2013 (last installment, April 13, 2020)	6-month LIBOR for USD denominated deposits + 3.25%	7,453,334	6,521,034	-
Loan 3	US Dollars, tenge	12 semi-annual installments commencing May 10, 2013 (last installment, November 10, 2018)	6-month LIBOR for USD denominated deposits + 2.95% for US Dollar tranche and all-in cost + 2.95% for tenge tranche	12,226,934	-	

(in thousands of tenge unless otherwise stated)

	Currency	Installments	Interest rate	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
JSC National Welfare Fund Samruk-Kazyna (Note 34):						
Loan 1	Tenge	January 25, 2024	2%	21,167,565	20,504,278	-
Loan 2	Tenge	November 2036	0.75%	1,840,469	-	-
Loan 3	Tenge	December 2036	0.75%	6,890,180	-	-
Loan 4	Tenge	September 15, 2017	7.2%	15,048,000	-	-
Loan 5	Tenge	September 15, 2017	7.2%	60,192,000	-	-
JSC ATF Bank:						
Loan 1	US Dollars	19 quarterly installments, commencing November 20, 2007 (last installment, April 10, 2012)	4.51%	85,554	254,784	427,535
Loan 2	Tenge	February 2011 – May 2013	9.93%-15%	1,053,602	3,158,925	1,259,279
Loan 3	Tenge	September 20, 2017	8.48%	1,325,243	1,553,000	-
Loan 4	US Dollars	December 4, 2017	8.84%	2,108,981	2,428,091	-
Loan 5	US Dollars	9 semi-annual installments, commencing March 1, 2012 (last installment, January 27, 2016)	6-month LIBOR for USD denominated deposits + 3%	14,300,698	-	-
JSC SB HSBC Bank Kazakhstan	Tenge	12 quarterly installments, commencing April 1, 2010 (last installment, December 31, 2012)	12.50%	106,148	43,419	-
Secured notes	Euro	April 30, 2016	5.48%	305,658	380,632	489,480
JSC BTA Bank	Tenge, US Dollars	February 28, 2011	12%-16%	-	-	2,369,214
JSC Halyk Bank of Kazakhstan:						
Loan 1	Tenge	March 18, 2013	12.5%	356,868	-	-
Loan 2	Tenge	January 2012 – January 2016	7%-12%	7,783,011	-	-
JSC VTB Bank	Tenge	June 2010	16%	-	-	1,351,776
				200,493,969	81,471,811	53,510,509
Less: Current portion of borrowings				(33,119,423)	(34,001,731)	(20,758,024)
				167,374,546	47,470,080	32,752,485

(in thousands of tenge unless otherwise stated)

The bank loans disclosed above are repayable as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
1 to 2 years	12,256,074	4,966,038	18,670,341
2 to 3 years	10,801,191	4,305,163	3,871,133
3 to 4 years	10,149,439	2,437,942	2,788,556
4 to 5 years	7,927,192	2,001,830	1,292,665
Over 5 years	126,240,650	33,759,107	6,129,790
	167,374,546	47,470,080	32,752,485

As at December 31, 2011, 2010 and January 1, 2010 borrowings were denominated in various currencies as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Tenge	142,040,529	27,834,435	5,381,769
US Dollars	51,484,076	46,240,276	40,773,976
Japanese Yen	6,663,706	7,016,468	6,865,284
Euro	305,658	380,632	489,480
	200,493,969	81,471,811	53,510,509

JSC Citibank Kazakhstan

On November 30, 2009 the Group's subsidiary, JSC Locomotive, entered into an agreement for short-term loans with JSC Citibank Kazakhstan which was guaranteed by the Company. Under this agreement on October 13 and 21, 2011 the Group received loans for replenishment of working capital of 4,000,000 thousand tenge (Loan 2). The principal is repayable at maturity. The interest is payable monthly.

Notes of JSC Citibank Kazakhstan

In 2011 the Group issued notes payable of 3,580,000 thousand tenge to Ikea Tas-Group LLP for the purchase of non-current assets. Such notes mature in December 2011 through February 2012. In December 2011 the Group repaid notes of 610,000 thousand tenge.

JSC ATF Bank

Within the framework of loan agreement dated May 27, 2010, during 2011 the Group received short-term loans from JSC ATF Bank for replenishment of working capital of subsidiaries, Kamkor-Locomotive LLP and Temirzholenergo LLP, of 2,222,540 thousand tenge. The interest is payable monthly.

JSC Halyk Bank of Kazakhstan

In 2010 under a credit line agreement with JSC Halyk Bank of Kazakhstan dated March 31, 2010 the Group received loans for replenishment of working capital of the subsidiary, Kamkor-Management LLP, of 2,481,398 thousand tenge. The principal and interest are paid on a quarterly and monthly basis, respectively. The loan is guaranteed by Locomotiv 2030 LLP, subsidiary of the Company. As at December 31, 2011 the loans were partially repaid.

In 2011 under a separate credit line agreement with JSC Halyk Bank of Kazakhstan available to JSC Locomotive, a subsidiary of the Group, for the replenishment of working capital dated October 21, 2011, the Group's subsidiary obtained a loan of 7,000,000 thousand tenge. Interest is payable quarterly. Principal is payable at maturity.

ABN Amro Bank N.V.

Loan 1: In December 2003 the Group entered into a loan agreement with ABN Amro Bank N.V. to finance the purchase of locomotive modernization kits from a supplier. The effective interest rate was 6.46% for the year ended December 31, 2011 (December 31, 2010: 6.18%). Interest is paid semi-annually. As at December 31, 2011 loan was partially repaid.

Loan 2: On November 1, 2004, the Group entered into a loan agreement with ABN Amro Bank N.V. to finance the purchase of locomotive modernization kits from a supplier. Funds under the loan agreement were provided in four tranches of 71,567 thousand US Dollars (9,539,571 thousand tenge) and were received by the Group during 2005. In addition, a further two tranches totaling 40,541 thousand US dollars (5,162,855 thousand tenge) were received during 2006. The effective interest rate was 4.54% for the year ended December 31, 2011 (2010: 3.16%). Interest is paid quarterly. As at December 31, 2011 the loan was partially repaid.

Under provisions of Loan agreements 1 and 2 the Company is obliged to comply with certain non-financial covenants. The Company may, provided it submits at least thirty business days prior notice to ABN Amro Bank N.V. and the Export-Import Bank of the United States, prepay all or part of the loans (the partial repayment has a minimum of 2 million US Dollars). Any prepayment is required to be made with accrued interest on the amount prepaid without premium or penalty. The loans are guaranteed by the Export-Import Bank of the United States, JSC Locomotive and JSC Kaztemirtrans.

Loan 3: In August 2008 the Group's subsidiary, JSC Locomotive Kurastyru Zauyty, entered into a loan agreement with ABN Amro Bank N.V. to finance the project of "Construction of locomotive assembly plant in Astana". Under provisions of this loan agreement the Group could, provided it submitted at least fifteen business days prior notice to ABN Amro Bank N.V., repay all or part of the loan (the partial repayment should be 10 million US Dollars as a minimum and multiple of 5 million US Dollars). The loan was secured by the guarantees of the Company, JSC Locomotive and JSC Kaztemirtrans. The loan was fully repaid in the year ended December 31, 2011.

JBIC

In accordance with the agreement signed between the Governments of the Republic of Kazakhstan and Japan, the Group received a loan from JBIC to develop its railways network. The JBIC loan is repayable through JSC "Company for the rehabilitation and management of assets" (previously - JSC "Rehabilitation Fund"). During the year ended December 31, 2011 the effective interest rate on JBIC loan approximated 3.65% (2010: 3.49%). Interest is paid semi-annually.

ICO

The Group entered into a loan agreement with the ICO, the Financial Agent of the Kingdom of Spain Government, based on a memorandum on mutual financial co-operation between the Governments of the Republic of Kazakhstan and Spain. The Government of the Republic of Kazakhstan, acting through the Ministry of Finance, issued a guarantee in favour of ICO. The Group may, provided it submitted at least twenty five business days prior notice to ICO, prepay all or any part of the loan (the partial repayment should be of 100 thousand US Dollars as a minimum). Interest is paid semi-annually.

As at December 31, 2011, 2010 and January 1, 2010 cash of 224,665 thousand tenge, 227,662 thousand tenge and 233,714 thousand tenge, respectively, was held in a reserve account for repayment of this loan.

JSC Development Bank of Kazakhstan

Loan 1: JSC Development Bank of Kazakhstan provided the Group's subsidiary, JSC Transtelecom, with a loan facility to finance the construction of a fiber-optic telecommunication line between Almaty and Astana. Interest is paid semi-annually.

Loan 2: In March 2010 JSC Development Bank of Kazakhstan provided the Group's subsidiary, LLP Kazakhstan Wagon Construction Company, with a loan to finance the purchase of equipment for cargo wagons production and wagon kits of 1,450,542 thousand tenge with a five-year maturity period. The loan is secured by a guarantee from JSC Kaztemirtrans and Repair Corporation Kamkor LLP. Interest is paid semi-annually (Note 34).

JSC European Bank of Reconstruction and Development

Loan 1: The Group has a credit line agreement with European Bank for Reconstruction and Development to finance the construction of a primary backbone transportation communication line. Pursuant to this credit agreement, JSC Transtelecom, a subsidiary, received a loan of 12,488,409 thousand tenge in the year ended December 31, 2010. The loan is guaranteed by the Company. During 2011, the effective interest rate on the loan was 3.46% (2010: 2.24%). Interest is paid semi-annually. As at December 31, 2011 JSC Transtelecom reclassified 11,692,842 thousand tenge from current to non-current portion in connection with entering into an amendment agreement with the bank on May 17, 2011 relating to the revision of the financial ratios levels.

Loan 2: On March 29, 2010 the Group's subsidiary, JSC Kaztemirtrans, entered into a loan agreement with JSC European Bank of Reconstruction and Development to finance the purchase of up to 1000 units of cargo wagons for 50,000 thousand US Dollars. As at December 31, 2011 within this loan agreement Group received 49,800 thousand US Dollars (7,390,320 thousand tenge). During 2011 the effective interest rate on the loan was 4.14% (2010: 2.61%). The loan is guaranteed by the Company. Interest is paid semi-annually.

Loan 3: On December 1, 2010 the Group's subsidiary, JSC Kaztemirtrans, entered into a loan agreement with the European Bank of Reconstruction and Development to finance the purchase up to 4000 units of cargo wagons for 200,000 thousand US Dollars. As at December 31, 2011 within this loan agreement Group received 12,405,402 thousand tenge. For the year ended December 31, 2011 the effective interest rate was 8.91%. The loan is guaranteed by the Company. Interest is paid quarterly.

JSC National Welfare Fund Samruk-Kazyna

Loan 1: On October 21, 2010 the Group entered into a loan agreement with the Shareholder of 30,000,000 thousand tenge. This loan is provided for the construction of railway lines: Uzen – state border with Turkmenistan and Khorgos – Zhetigen. The loan is unsecured. Interest is paid semi-annually at 2% per annum beginning from January 2011. The principal is paid at maturity. The Group is eligible for early repayment of whole or part of the loan upon an agreement of the creditor without premium or penalty.

As the loan was issued by the Shareholder, a related party, at a rate below the market rate of interest for similar loans in arms length transactions, the Group calculated the fair value of this loan and recognized an adjustment to the loan value of 9,694,252 thousand tenge less deferred tax effect of 1,938,850 thousand tenge within additional paid-in capital. To calculate the fair value of the loan, the Group used an effective interest rate of 5.4% using rates on governmental long-term treasury bonds. Amortization of the adjustment to fair value of 519,954 thousand tenge has been capitalized into cost of railways construction (2010: 81,863 thousand tenge).

Loans 2 and 3: On December 23 and 28, 2011, the Group entered into loan agreements with the Shareholder of 4,000,000 thousand tenge and 15,000,000 thousand tenge, respectively. The loans are provided for the renewal of passenger rolling stock of the subsidiary, JSC Passenger Transportation. The loans are unsecured. Interest is paid by 25 annual instalments at 0.75% per annum beginning from November and December 2012, respectively. The principal is repaid in equal annual instalments beginning after five year grace period until full repayment in November and December 2036, respectively. The Group is eligible for early repayment of whole or part of the loan upon an agreement of the creditor without premium or penalty.

As the loans were issued by the Shareholder, a related party, at a rate below the market rate of interest for similar loans in arms length transactions, the Group calculated the fair value of these loans and recognized adjustments to the loan value of 10,271,770 thousand tenge less deferred tax effect of 2,054,354 thousand tenge within additional paid-in capital. To calculate the fair value of the loans, the Group used an effective interest rate of 7.02% using rates on governmental long-term treasury bonds. Amortization of the adjustments to fair value of 1,857 thousand tenge has been recorded within finance cost in the reporting period.

Loan 4: On April 21, 2011 the Group's subsidiary JSC Locomotive received a long-term loan from the Shareholder of 15,000,000 thousand tenge. This loan is provided for the purchase of not less than 40 units of locomotives. The interest is paid quarterly. The principal is paid at maturity. The loan is guaranteed by the Company.

Loan 5: On April 21, 2011 the Group's subsidiary JSC Kaztemirtrans received a long-term loan from the Shareholder of 60,000,000 thousand tenge. This loan is provided for the purchase of not less than 3,200 units of cargo wagons. The interest is paid quarterly. The principal is paid at maturity. The loan is guaranteed by the Company.

JSC ATF Bank

Loan 1: In April 2007 JSC ATF Bank provided a loan to the Group's subsidiary, JSC Locomotive Service Centre, for the purpose of financing the purchase of locomotive modernization kits of 5,450 thousand US Dollars (655,575 thousand tenge). The effective interest rate was 8.82% for 2011 (2010: 5.72%). Interest is paid quarterly.

Loan 2: During 2005-2010 the Group's subsidiary, LLP Repair Corporation Kamkor, received loans for the replenishment of working capital, refinancing of loan from JSC BTA Bank and purchase of non-current assets of 10,153,297 thousands tenge. The principal is payable quarterly or at maturity, and the interest is payable monthly or quarterly. As at December 31, 2011 the loans were partially repaid.

Loans 3 and 4: During September and December 2010 the Group's subsidiary, LLP Kazakhstan Wagon Construction Company, received loans for financing the purchase of equipment for cargo wagons production and construction works of 1,500,000 thousand tenge and 16,441 thousand US Dollars (2,428,091 thousand tenge). The effective interest rate on these loans is 8.48% (2010: 8.7%). The principal is paid by 7 equal annual installments; the interest is paid by semi-annual installments. These loans are secured by a guarantee from Kamkor Management LLP.

Loan 5: In 2011 the Group's subsidiary, JSC Locomotive Kurastyru Zauyty, received a loan from JSC ATF Bank for refinancing debt from ABN Amro Bank N.V. obtained on August 4, 2008 for construction of a locomotives assembly plant in Astana of 13,952,650 thousand tenge (95 million US Dollars). The effective interest rate on this loan is 3.46%. The loan is guaranteed by the Company. Interest is paid semi-annually.

JSC Halyk Bank of Kazakhstan

Loan 1: During 2011 the Group's subsidiary, LLP Repair Corporation Kamkor, received a loan for replenishment of working capital and investment purposes in the amount of 1,870,000 thousand tenge. The principal is repaid quarterly or monthly. The interest is paid monthly. The loan is guaranteed by Locomotiv-2030 LLP and Repair Corporation Kamkor LLP.

Loan 2: In June 2011 the Group's subsidiary, LLP Repair Corporation Kamkor, acquired subsidiary JSC Vostokmashzavod, which had long-term loans from JSC Halyk Bank of Kazakhstan with an interest rate of 7-12% and maturity on January 13, 2012 and long-term loans with an interest rate of 8-12 % and maturity on January 15, 2016.

As at December 31, 2011 the Group's loans were secured by non-current assets (buildings, railway transport and etc.) with a carrying value of 50,007,759 thousand tenge (2010: 46,580,791 thousand tenge, January 1, 2010: 47,164,038 thousand tenge), inventories of nil (2010: nil, January 1, 2010: 151,453 thousand tenge) and future cash inflows of nil (December 31, 2010: 12,803,421 US Dollars (1,899,516 thousand tenge), January 1, 2010: 12,803,421 US Dollars (1,887,224 thousand tenge)). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is ranging from 3.77% to 12%.

(in thousands of tenge unless otherwise stated)

18. DEBT SECURITIES ISSUED

The Group's debt securities issued as at December 31, 2011 and 2010, and January 1, 2010, were as follows:

	Maturity date	Interest rate, per annum	December 31, 2011	December 31, 2010	January 1, 2010
Eurobonds issued at price					
99.300% - tranche 1	May 11, 2011	6.50%	-	66,330,000	66,762,001
98.292% - tranche 2	May 11, 2016	7.00%	51,933,200	51,590,000	51,925,999
100%	October 6, 2020	6.375%	103,876,100	103,180,000	-
			155,809,300	221,100,000	118,688,000
Including/(excluding):					
Discount on debt securities issued			(560,154)	(725,341)	(981,658)
Transaction costs			(321,196)	(359,724)	-
Accrued interest on debt securities issued			2,056,610	2,653,149	1,092,377
Total Eurobonds issued			156,984,560	222,668,084	118,798,719
Less: current portion of debt securities issued			(2,056,610)	(68,927,178)	(1,092,377)
Long-term portion of debt securities issued			154,927,950	153,740,906	117,706,342

On May 11, 2006 Kazakhstan Temir Zholy Finance B.V. (the "Issuer"), a subsidiary of JSC Kaztemirtrans, issued two tranches of Eurobonds totalling 800,000 thousand US Dollars. The Eurobonds are guaranteed by the Company and its subsidiaries: JSC Kaztemirtrans and JSC Locomotive (the "Guarantors"). Interest is payable on such Eurobonds semi annually on May 11 and November 11. On May 11, 2011 the Group repaid the 5-year eurobonds (Tranche 1) of 65,493,000 thousand tenge (450 million US Dollars).

On October 6, 2010 the Issuer issued Eurobonds totalling 700,000 thousand US Dollars. Such Eurobonds are guaranteed by the Guarantors. Interest is payable semi annually on April 6 and October 6.

The Eurobonds contain covenants that place certain limitations on the Group including, but not limited to, limitations on changes in the business and the disposal of property, and limitations on mergers and consolidations with other legal entities. In the case of any payment default, or any of default as defined by the Eurobond indenture, investors are entitled to require repayment of Eurobonds.

(in thousands of tenge unless otherwise stated)

19. FINANCE LEASE LIABILITIES

The Group's finance lease liabilities as at December 31, 2011 and 2010, and January 1, 2010, were as follows:

	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2011	December 31, 2010	January 1, 2010	December 31, 2011	December 31, 2010	January 1, 2010
Within one year	1,370,017	1,328,838	1,337,899	614,257	508,648	476,428
From two to five years inclusive	5,242,687	4,571,746	4,739,611	2,596,266	1,963,121	1,725,767
After five years	3,145,905	4,126,852	5,039,461	2,419,837	2,982,439	3,542,284
Net minimum lease liabilities	9,758,609	10,027,436	11,116,971	5,630,360	5,454,208	5,744,479
Less future finance charges	(4,128,249)	(4,573,228)	(5,372,492)	-	-	-
Present value of lease payments	5,630,360	5,454,208	5,744,479	5,630,360	5,454,208	5,744,479
Less liability payable within 12 months				(614,257)	(508,648)	(476,428)
Amount payable after 12 months				5,016,103	4,945,560	5,268,051

In 2004 the Group represented by the subsidiary JSC Transtelecom entered into a non-cancelable finance lease arrangement for telecommunication equipment (the "finance lease") with LLP TeleKRONA. The term of the finance lease is 14.5 years with an optional renewal term of one year. In accordance with the terms of the lease agreement, the Group received telecommunication equipment in installments through the end of 2010. In 2010 and 2009 the Group received telecommunication equipment for 3,506 thousand tenge and 853,108 thousand tenge, respectively. The interest rate implicit in the lease is 18.25% per annum.

On December 11, 2008 the Group represented by the subsidiary JSC Kaztemirtrans entered into a finance lease state purchase agreement with JSC BRK Leasing, a related party, to provide 340 units of rolling stock to its subsidiary JSC Center of Transport Service. In 2008 the Group received 190 cistern wagons with a carrying value of 1,028,838 thousand tenge. In 2009 the Group received the residual 150 cistern wagons with a carrying value of 712,852 thousand tenge. The interest rate implicit in the lease is 10.50% per annum. This contract is secured by a guarantee from the Company effective during the whole maturity period.

On December 28, 2011 the Group represented by LLP Temirzhol Zhondeu, subsidiary of Repair Corporation Kamkor LLP, entered into a finance lease state purchase agreement with JSC Islam Bank Al Hilal to purchase 2 units of track equipment. In 2011 the Group received such track equipment with a carrying value of 1,021,007 thousand tenge and initial direct acquisition costs were 21,022 thousand tenge. The interest rate is 16.3% per annum. This contract is secured by a guarantee from the subsidiary LLP Temirzholenergo of 290,000 thousand tenge effective during the whole maturity period.

All lease liabilities are denominated in tenge.

(in thousands of tenge unless otherwise stated)

20. EMPLOYEE BENEFIT OBLIGATIONS

Social tax and pension contributions

The Group pays social tax, which is expensed as incurred, based on the current statutory requirements of the Republic of Kazakhstan. The social tax charges in 2011 and 2010 were 17,329,248 thousand tenge and 18,108,569 thousand tenge, respectively.

The Group also withholds and contributes 10% from the salaries of its employees as the employee's contribution to their cumulative pension funds. According to legislation of the Republic of Kazakhstan, pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement, apart from those stipulated by the Agreement with the Labor Union.

Defined benefits scheme

Employee benefit obligations are payable in accordance with the Labor Union Agreement concluded between the Group and its employees for 2009-2011 and 2012-2014.

The total liability payable in accordance with this agreement comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Present value of defined benefit obligation	19,440,922	15,760,105	14,213,388
Liability falling due within one year	(1,985,504)	(1,697,299)	(1,025,608)
Liability falling due after one year	17,455,418	14,062,806	13,187,780

The defined benefit scheme is unfunded.

A reconciliation of the present value of the obligation with specified payments is as follows for the years ended December 31:

	2011	2010 (restated)
Total liability taken over at the beginning of the year	15,760,105	14,213,388
Current service cost	847,525	643,278
Past service cost	478,643	2,493,760
Interest cost	1,409,404	1,267,114
Benefits paid during the year	(1,816,422)	(1,381,628)
Actuarial loss/(gain) recognized during the year	2,628,792	(917,447)
Plan reduction, sequester	(10,305)	(2,582)
Unrecognized past service cost	143,180	(555,778)
Total liability at the end of the year	19,440,922	15,760,105

The past service cost recognized for the years ended December 31, 2011 and 2010 primarily resulted from changes in the Labor Union Agreement, differences between the actual annual salary increase and the estimated annual increase, and demographic changes.

(in thousands of tenge unless otherwise stated)

The total service cost, including current service, past service cost, interest cost, and the actuarial loss/(gain) for the year of 5,497,239 thousand tenge and 2,928,345 thousand tenge recognized during 2011 and 2010, respectively, was recorded in the consolidated statement of comprehensive income within cost of sales (Note 26) and general and administrative expenses (Note 27).

The estimates of the Group's obligations were made on the basis of the published statistical data regarding mortality and the actual Group's data concerning the number, age, sex and years of service of the employees and pensioners and the Group's turnover statistics. Other principal assumptions at the reporting date were as follows:

	2011	2010	2009
Discount rate	6.0%	6.50%	6.50%
The expected rate of future annual material assistance increases	5.38%	5.80%	5.50%
The expected rate of future annual minimum salary increases	3.38%	3.80%	5.50%
The expected rate of future annual railway ticket price increases	5.38%	4.80%	4.50%

21. INCOME TAX

Entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2011 and 2010. In the 2009 tax legislation, the tax rate was expected to decrease from 20% to 17.5% in 2013, however, changes to legislation were subsequently introduced and the rate was revised to 20% effective from January 1, 2011.

Income tax expense comprised the following for the years ended December 31:

	2011	2010 (restated)
Current income tax expense	1,923,274	5,279,119
Deferred income tax expense	31,369,398	36,266,422
	33,292,672	41,545,541

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense reported in the consolidated financial statements was as follows for the years ended December 31:

	2011	2010 (restated)
Profit before taxation	156,521,491	108,082,293
Statutory tax rate	20%	20%
Theoretical tax expense at the statutory rate	31,304,298	21,616,459
Tax effect of expenses/(gains) that are not deductible/(not taxable) for tax purposes:		
Change of income tax related to previous years	(549,473)	(15,171)
Non-deductible expenses	3,921,089	5,021,060
Effect of unused tax losses not recognized as deferred tax assets	(1,383,242)	(1,366,991)
Effect of change in tax rates	-	16,290,184
Income tax expense reported in the consolidated financial statements	33,292,672	41,545,541

(in thousands of tenge unless otherwise stated)

Deferred tax balances calculated by applying the statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are as at follows at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Deferred tax assets:			
Tax losses carried forward	4,151,057	1,964,911	5,508,146
Unused vacation provision	1,940,527	1,628,686	1,375,886
Provision for impairment of investments	-	-	236,700
Differences in accounts receivable	1,370,037	988,867	1,018,326
Allowance for obsolete and slow-moving inventories	347,783	384,961	475,555
Accrued liabilities	1,008,478	1,041,200	99,161
	8,817,882	6,008,625	8,713,774
Deferred tax liabilities:			
Property, plant and equipment and other non-current assets	(123,544,465)	(88,607,230)	(54,792,885)
Adjustment of loan to fair value	(3,872,470)	(1,922,478)	-
	(127,416,935)	(90,529,708)	(54,792,885)
Total net deferred tax liabilities	(118,599,053)	(84,521,083)	(46,079,111)

	2011	2010 (restated)
Net deferred income tax liability as at the beginning of the year	(84,521,083)	(46,079,111)
Recorded in the consolidated statement of comprehensive income	(31,369,398)	(36,266,422)
Recorded in the consolidated statement of changes in equity	(2,054,354)	(2,175,550)
Acquired through business combination	(654,218)	-
Net deferred income tax liability as at the end of the year	(118,599,053)	(84,521,083)

The Group has unrecognised deferred tax assets relating to tax losses carried forwards. In management's opinion, it is not probable that there will be sufficient taxable income available in the future against which such deferred tax assets can be utilized. Total tax effect of unrecognised tax loss carryforwards as at December 31, 2011 amounted to 1,182,414 thousand tenge (December 31, 2010: 4,396,135 thousand tenge, January 1, 2010: 8,159,204 thousand tenge).

In addition to the above, as at December 31, 2010 the Group has revised its estimates and has not recognized the deferred tax asset on impairment losses on its investment in JSC Doszhan Temir Zholy of 1,091,600 thousand tenge (January 1, 2010: deferred tax asset of 236,700 thousand tenge), as taxable profit on this associate is unlikely based on the opinion of the Group's management (Note 7).

(in thousands of tenge unless otherwise stated)

Due to changes in tax legislation of the Republic of Kazakhstan, effective from January 1, 2010, tax losses carried forward, incurred after January 1, 2009, expire for tax purposes ten years after the date they are incurred. Tax losses carried forward, incurred before January 1, 2009, in the Republic of Kazakhstan expire for tax purposes three years from the date they are incurred. Therefore, the part of the tax losses carried forward by the Group as at December 31, 2011, expired for tax purposes in 2011.

22. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Accounts payable for services	19,079,181	14,917,446	16,325,347
Accounts payable for inventory	24,215,243	25,871,434	21,384,092
Accounts payable for property, plant and equipment	25,881,271	15,732,934	5,703,728
Other accounts payable	1,787,833	946,668	1,504,971
	70,963,528	57,468,482	44,918,138

As at December 31, 2011 and 2010, and January 1, 2010 trade accounts payable were denominated in various currencies as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Tenge	69,056,345	49,713,878	40,304,990
US Dollars	665,951	6,537,609	1,308,515
Swiss Francs	794,170	830,858	2,942,017
Other currencies	447,062	386,137	362,616
	70,963,528	57,468,482	44,918,138

23. OTHER TAXES PAYABLE

Other taxes payable comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
VAT	2,838,143	2,122,472	2,368,041
Personal income tax	2,300,654	1,842,539	1,629,736
Social tax	1,157,760	867,923	833,040
Social contribution	834,215	645,302	799,331
Property tax	58,806	132,165	231,130
Withholding tax from non-residents	-	-	1,174,000
Fines and penalties on income tax from non-residents	-	-	1,126,123
Fines and penalties on corporate income tax	-	-	776,308
Other	589,804	537,359	43,685
	7,779,382	6,147,760	8,981,394

(in thousands of tenge unless otherwise stated)

In 2008 tax audits of the Group for the period from 2003 to 2006 were conducted by the Kazakhstan governmental tax authorities. During 2008 the Group recorded a tax liability of 1,174,000 thousand tenge related to withholding tax and a liability of 1,902,431 thousand tenge related to the estimate amount of fines and penalties. During 2010 these matters were resolved resulting in a reversal of previously created provisions by the Group in total of 2,967,221 thousand tenge.

24. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following as at December 31, 2011 and 2010, and January 1, 2010:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Construction commitment for benefit of the Shareholder	55,743,815	27,129,708	-
Advances received from customers	33,733,056	26,425,497	28,293,855
Salaries payable	9,653,013	9,570,619	8,669,153
Unused vacation provision	9,702,634	8,143,431	6,879,430
Deferred income	10,439,209	6,278,617	3,440,142
Obligatory pension contributions	3,030,830	2,504,107	2,174,528
Provision for additional payments to employees living in regions of environmental disaster	3,223,972	302,951	12,299
Other current liabilities	8,128,498	7,336,026	3,689,456
	133,655,027	87,690,956	53,158,863

As described in Notes 13 and 16 above in 2011 and 2010, the Group entered into irrevocable commitments to construct and equip a building for a teleradio complex in Astana. The value of that commitment as at December 31, 2011 was estimated by management to be the value of the related construction contract, namely 27,129,708 thousand tenge, the contract for supply of media and technical equipment for installation within the teleradio complex, namely 28,125,000 thousand tenge and expenses related to acquisition of land for construction of 489,107 thousand tenge. The commitment amount has been recognised as a current "Construction commitment" above, and is considered current due to the expectation that the commitment will be fulfilled within twelve months from the reporting period end.

As at December 31, 2011 and 2010, and January 1, 2010 the Group accrued unused vacation provision, estimated based on quantity of unused vacation days and average salary per day, and provision for additional payments to employees living in regions of environmental disaster, estimated according to the labor legislation.

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

(in thousands of tenge unless otherwise stated)

25. OTHER REVENUE

Other revenue for the years ended December 31 comprised the following:

	2011	2010 (restated)
Revenue from the sale of goods and provision of services to third parties	21,633,849	11,616,553
Penalties received	4,091,062	2,884,775
	25,724,911	14,501,328

Revenue from the sale of goods and provision of services to third parties consists primarily of profit on the sale of inventory and scrap to other third parties, communication services and sales of electricity to third parties.

Penalties received represent mainly revenue earned on the assessment of penalties on late pickup of cargo cars fines and penalties for breach of contract terms.

26. COST OF SALES

Cost of sales for the years ended December 31 comprised the following:

	2011	2010 (restated)
Personnel costs, including short-term provisions	170,725,908	153,190,333
Fuels and lubricants	78,261,229	64,518,931
Services	46,714,969	18,238,543
Depreciation and amortization	57,015,002	50,367,504
Materials and supplies	59,148,299	59,518,772
Electricity	25,421,805	22,184,263
Wagon usage fee	16,948,107	18,412,949
Operating lease expenses	1,338,082	1,789,782
Lease of communication channels	1,946,403	2,066,206
Employee benefit expenses (Note 20)	4,651,104	2,389,503
Professional services	2,293,065	1,919,977
Business trip expenses	2,431,754	2,036,197
Personnel training	753,789	647,608
Other	2,630,746	138,315
	470,280,262	397,418,883

(in thousands of tenge unless otherwise stated)

Personnel costs, including short-term provisions, for the years ended December 31 comprised the following:

	2011	2010 (restated)
Personnel costs	151,869,400	135,958,082
Social tax	14,730,067	15,985,542
Provision for additional payments to employees living in regions of environmental disaster (Note 24)	3,034,690	203,591
Unused vacation provision expense	1,091,751	1,043,118
	170,725,908	153,190,333

27. GENERAL AND ADMINISTRATIVE EXPENSE

General and administrative expense for the years ended December 31 comprised the following:

	2011	2010 (restated)
Personnel costs, including short-term provisions	30,787,927	26,323,483
Property tax and other taxes	14,831,621	9,266,651
Charities and sponsorship	8,058,680	6,225,450
Depreciation and amortization	3,608,515	2,147,929
Social activities	1,498,552	482,386
Business trip expenses and representative expenses	1,453,265	1,239,012
Professional services	1,419,623	1,313,930
Consulting, audit and legal services	1,315,939	1,240,973
Allowances for doubtful debts (Note 9, 11, 14)	1,118,705	1,275,820
Services	1,179,746	724,298
Materials	928,124	687,596
Employee benefit expenses (Note 20)	846,135	538,842
Advertising expenses	778,253	691,268
Bank services	739,558	739,125
Provision on legal claims	590,447	3,801,217
Operating lease expenses	222,754	527,044
Allowance for unrecoverable VAT receivable (Note 9)	(9,905,425)	8,998,670
Other expenses	3,299,957	2,940,532
	62,772,376	69,164,226

(in thousands of tenge unless otherwise stated)

Personnel costs, including short-term provisions, for the years ended December 31 comprised the following:

	2011	2010 (restated)
Personnel costs	27,627,934	23,896,763
Provision for additional payments to employees living in regions of environmental disaster (Note 24)	189,282	99,360
Social tax	2,589,190	2,114,361
Unused vacation provision expense	381,521	212,999
	30,787,927	26,323,483

28. FINANCE INCOME

Finance income for the years ended December 31 comprised the following:

	2011	2010 (restated)
Interest income on short-term investments and bank deposits	4,310,730	3,240,572
Other finance income	333,517	49,119
	4,644,247	3,289,691

For the years ended December 31, 2011 and 2010 the Group's finance income included interest income on short-term investments and bank deposits of 443,365 thousand tenge and 740,771 thousand tenge, respectively, placed with related parties (Note 34).

29. FINANCE COSTS

Finance costs for the years ended December 31 comprised the following:

	2010	2010 (restated)
Interest expense on debt securities issued	11,226,015	9,411,475
Interest expense on loans	7,036,280	2,255,778
Finance lease charge	1,054,963	1,081,798
Amortization of discount on debt securities issued	197,974	249,880
	19,515,232	12,998,931

(in thousands of tenge unless otherwise stated)

30. BUSINESS COMBINATION

The following acquisitions by the Group's subsidiary Repair Corporation Kamkor LLP took place in June 2011. Each business combination was accounted for using the acquisition method:

	Main activity	Acquisition date	Share	Purchase consideration
JSC Vostokmashzavod	1) Production of machinery products; 2) Production and repair of mining equipment.	June 3, 2011	50.82%	121,136
Almaty VKM Service LLP	Repair, modernization and construction of new railway wagons	June 9, 2011	100%	390,000

Included in the profit for the year is loss of 605,546 thousand tenge attributable to the additional business generated by JSC Vostokmashzavod, and loss of 4,988 thousand tenge attributable to Almaty VKM Service LLP. Revenue for the year includes 1,430,315 thousand tenge in respect of JSC Vostokmashzavod and 12,986 thousand tenge in respect of Almaty VKM Service LLP.

If these business combinations had been effective at January 1, 2011, the revenue of the Group from continuing operations would have been 781,893 thousand tenge higher, and the profit for the year from continuing operations would have been 392,780 thousand tenge lower.

(in thousands of tenge unless otherwise stated)

The allocation of purchase consideration of businesses acquired is based on the fair value of assets and liabilities acquired. Net assets acquired and related gains from acquisition as well as goodwill are presented as follows:

	JSC Vostokmash-zavod	Almaty VKM Service LLP
ASSETS		
Non-current assets		
Property, plant and equipment	11,547,183	56,537
Intangible assets	26,021	-
Other non-current assets	48,475	1,982
Total non-current assets	**11,621,679**	**58,519**
Current assets		
Inventories	597,033	60
Trade accounts receivable	73,152	5,049
Prepaid income tax	25,207	-
Other current assets	141,258	130
Cash and cash equivalents	959	5,097
Total current assets	**837,609**	**10,336**
Total assets	**12,459,288**	**68,855**
Non-current liabilities		
Borrowings	4,560,209	-
Debt securities issued	556,200	-
Deferred income tax liability	656,200	-
Other non-current liabilities	16,133	-
Total non-current liabilities	**5,788,742**	-
Current liabilities		
Borrowings	2,568,390	-
Trade accounts payable	287,012	231
Other taxes payable	30,862	941
Other current liabilities	1,679,311	18
Total current liabilities	**4,565,575**	**1,190**
Total liabilities	**10,354,317**	**1,190**
Net assets acquired	**2,104,971**	**67,665**
Cash consideration paid	121,136	390,000
Add: non-controlling interests (49.18% in JSC Vostokmashzavod)	1,035,225	-
Less: fair value of net assets acquired	(2,104,971)	(67,665)
(Bargain purchase gain)/goodwill	(948,610)	322,335

As at December 31, 2011 the Group increased its share in JSC Vostokmashzavod from 50.82% to 93.64% through the issuance of shares for 704,978 thousand tenge.

Goodwill related to the acquisition of Almaty VKM Service LLP because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of using operating assets for production purposes, namely, repairs of wagon wheel pairs.

(in thousands of tenge unless otherwise stated)

31. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during 2011. Basic and diluted per share data are the same, as there is no material dilution.

	2011	2010
Earnings for the year (thousand tenge)	122,886,900	65,917,640
Weighted average number of ordinary shares	491,150,379	490,566,676
Basic and diluted earnings per share (tenge)	250	134

32. FINANCIAL AND CONTINGENT LIABILITIES

Capital and operating lease commitments

Capital commitments

As at December 31, 2011, the Group had committed to contracts for the construction of Uzen – state border with Turkmenistan and Khorgos – Zhetigen railways, the primary backbone transport communication net, the plant for production of passenger wagons in Astana, the capital repair of railways, the activities related to expansion of Dostyk station, and the purchase of cargo and passenger electric locomotives, cargo and passenger wagons and backbone locomotives totalling 467,859,430 thousand tenge (December 31, 2010: 174,970,828 thousand tenge). This amount includes commitments for purchase of passenger electric locomotives from joint venture Electric locomotives assemble plant LLP for the amount of 296,298,948 thousand tenge with supply till December 31, 2020 and also commitments for purchase of passenger wagons from joint venture Tulpar-Talgo LLP for the amount of 55,726,027 thousand tenge with supply till December 31, 2014.

Operating lease commitments

As at December 31, 2011 the Group had operating lease commitments of 699,019 thousand tenge, which are all due within one year (December 31, 2010: 649,358 thousand tenge).

Contingent liabilities

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

Kazakhstan taxation contingencies

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are quite usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the additional taxes accrued. Interest is assessed at 22.5%.

As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement.

During 2011 the tax authorities conducted tax audits of the Group for the period of 2007-2010. As at December 31, 2011 the said tax audits are not complete. The Group did not accrue tax provisions as the Group's management believe that future tax payments arising as a consequence of such tax audits are not probable.

Due to the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, related to the years under audit and the subsequent years may be in excess of the amount expensed to date and accrued as at December 31, 2011. It is not practicable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

Insurance

The insurance market is still in the early stage of development in Kazakhstan and, in common with other state-owned enterprises, the Group does not, with the exception of obligatory passenger insurance with regard to personal injury, death and loss or damage to passenger property, maintain any insurance against the risk of damage to any of its properties, assets or equipment (including infrastructure, rolling stock and stations) nor against business interruption or third party liability in respect of property or environmental damage arising from accidents to the Group's property or relating to the Group's operations. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan.

Other contingencies

In June 2011 Kazakh Transit Telecommunications LLP (hereinafter – "KT&T") brought an action against the Group's subsidiary, JSC Transtelecom, for non-compliance with its obligations under the agreement on joint activity № 63-1/16 dated April 27, 2006, and claimed a reimbursement of penalties of 20,000 thousand tenge (in terms of state fees paid) for failure to make timely payments for the use of KT&T's equipment. On September 13, 2011 the court of the first instance made a decision to recover from the Group the full claim amount. An appeal of the Group was dismissed in February 2012. In March 2012 the Group filed a cassation appeal.

The total amount of penalty charges for late lease payments for the period from July 2008 to August 2009, calculated by KT&T is equal to 1,281,478 thousand tenge. Based on the history of relations between the Group and KT&T related to a number of previous trials, Group management have concluded that payment of the full penalty charges claimed by KT&T is not probable. The Group intends to work with KT&T towards a negotiated settlement.

(in thousands of tenge unless otherwise stated)

Based on the foregoing, as at December 31, 2011 the Group has established a provision of 500,000 thousand tenge.

Guarantees

On October 27, 2011 joint venture Tulpar-Talgo LLP, established with the participation of Company's subsidiary JSC Remlocomotive, concluded a credit agreement with JSC SB RBS (Kazakhstan) for replenishment of working capital in the amount of 5,000,000 thousand tenge. In accordance with the loan agreement the Company provided a guarantee of 5,000,000 thousand tenge.

33. SUBSIDIARIES

Subsidiary	Nature of activities	Country of residence	Percentage holding, % 2011	2010 (restated)	2009 (restated)
1. JSC Kaztemirtrans	Operation of cargo wagons	Kazakhstan	100	100	100
2. JSC Passenger Transportation	Passenger transportation	Kazakhstan	100	100	100
3. JSC Locomotive	Locomotive haul services	Kazakhstan	100	100	100
4. JSC National centre on development of transport logistics (JSC Remwagon)	Formation of transport and logistics	Kazakhstan	100	100	100
5. JSC Temirzholsu	Utilities	Kazakhstan	100	100	100
6. JSC Temirzholzhilu	Utilities	Kazakhstan	100	100	100
7. JSC Remlocomotive	Repair of locomotives	Kazakhstan	100	100	100
8. JSC Almaty Wagon Repair Plant	Repair of wagons	Kazakhstan	100	100	100
9. OJSC Zheldorremmash	Repair of locomotives	Kazakhstan	100	100	100
10. JSC Locomotive Service Center	Repair of locomotives	Kazakhstan	100	100	100
11. JSC Kaztransservice	Transit cargo transportation	Kazakhstan	100	100	100
12. JSC Transtelecom	Communication services	Kazakhstan	100	100	100
13. OJSC Zheldorvodoteplosnabzhenie	Utilities	Kazakhstan	100	100	100
14. LLP Lesozashita	Protection of railway transportation property from unfavorable weather conditions	Kazakhstan	100	100	100
15. JSC Center of Transport Service	Operating of local railway lines	Kazakhstan	100	100	100
16. JSC Militarized Railway Guard	Security services	Kazakhstan	100	100	100
17. Kazakhstan Temir Zholy Finance B.V.	Financial services	Kingdom of Netherlands	100	100	100
18. LLP Kazykurt Yug	Flushing and steaming of wagons	Kazakhstan	100	100	100
19. LLP Ertys Service	Flushing and steaming of wagons	Kazakhstan	100	100	100
20. LLP Akzhaiyk Zapad 2006	Flushing and steaming of wagons	Kazakhstan	100	100	100
21. JSC Locomotive Kurastyru Zauyty	Assembly of locomotives	Kazakhstan	100	100	100
22. Repair Corporation Kamkor LLP	Repair of railway rolling stock and mainline railway track	Kazakhstan	100	100	100
23. JSC Vokzal-service	Railway stations activities	Kazakhstan	100	-	-
24. LLP Kazakhstan Wagon Construction Company	Production of cargo wagons	Kazakhstan	66.7	66.7	66.7

As at December 31, 2011 the following subsidiaries of the Company were in the process of liquidation: OJSC Zheldorremmash and LLP Akzhaiyk Zapad 2006.

During 2011 the Group revised its plans with regard to liquidation of subsidiaries OJSC Zheldorvodoteplosnabzhenie and JSC Remwagon. In accordance with the Program on development of railway transport in the Republic of Kazakhstan till 2020 OJSC Zheldorvodoteplosnabzhenie and JSC Temirzholzhilu will be merged with subsidiary JSC Temirzholsu. In July 2011 the Group reorganized its subsidiary JSC Remwagon into a new entity, JSC National Centre on Development of Transport Logistics.

In April 2011 the Shareholder transferred its ownership interest in Repair Corporation Kamkor LLP to the Company. As discussed in Note 4, these financial statements have been retrospectively restated to reflect the inclusion of Repair Corporation Kamkor LLP effective January 1, 2010.

In addition, the Group obtained control over a subsidiary, JSC Kazakhstan Wagon Construction Company with the Group's share of 66.7% as a result of the combination of interests of Repair Corporation Kamkor LLP of 33.4% and subsidiary JSC Kaztemirtrans of 33.3% (Note 4).

In 2011 JSC Remlocomotive jointly with Siemens established Temir Zhol Electrification LLP, whereby JSC Remlocomotive owns a 51% of share. The primary activity of this entity is implementation of railways electrification projects.

In 2010 JSC Remlocomotive jointly with Ansaldo STS S.p.A established Kazakhstan-TJ-Ansaldo STS Italia LLP, whereby JSC Remlocomotive owns a 51% of share. The primary activity of this entity is providing research, development, construction and assembling services, as well as production of goods for railway transport.

Also during 2010, JSC Almaty Wagon Repair Plant jointly with Slovakian company ZOS–VYVOJ, s.r.o. established NurZholBarys LLP for design and production of wagons for diesel trains, where JSC Almaty Wagon Repair Plant owns a 51% of share.

34. RELATED PARTIES TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Also parties under common control with the Group are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Group's policy with respect to the approval of transactions with related parties is that the transaction should be approved by management by a majority of votes but not less than three quarters of the elected members. If the Management Board is not available to approve the transaction, then a majority of the members of the Board of Directors who are not interested in the transaction may vote to approve the transaction. If all members of the Board of Directors are interested, then a majority of the independent directors may vote to approve the transaction. If the independent directors are not available to approve the transaction, then the Shareholder may approve it.

(in thousands of tenge unless otherwise stated)

Related parties may enter into transactions that unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at December 31, 2011 and 2010, and January 1, 2010 not outlined elsewhere in these notes, are detailed below.

Amounts due to and from related parties (profit oriented state-owned entities), recorded within trade accounts payable, other current liabilities, trade accounts receivable, other current and non-current assets as well as the transactions with related parties (commercial organizations, fully controlled by the government) as at December 31, 2011, 2010 and January 1, 2010 were as follows:

	Due from related party			Due to related party		
Company name	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
JSC National Company KazMunaiGas	90,848	132,384	27,242	697,254	284,103	340,845
JSC Kazpost	150,302	137,742	83,571	8,935	8,228	-
JSC Kazakhtelecom	16,775	30,548	-	35,874	29,842	63,076
JSC National Nuclear Company Kazatomprom	6,033	10,836	-	86,291	85,075	83,241
JSC KEGOC	2,858	3,109	-	16	108	26,295
JSC National Company Kazakhstan Engineering	87,693	156,262	-	364,705	482,097	148,702
JSC Samruk-Energo	15,046	15,667	26,016	4,220	8,590	-
JSC Air Astana	199	645	-	9,539	7,931	4,371
LLP Samruk-Kazyna Contract	275	-	-	5,095	8,182	1,148
JSC KOREM	-	-	-	1,912	1,856	2,531
LLP JV Betpak Dala	-	-	-	2,841	2,479	2,218
SEC Sary-Arka	-	-	364	-	-	-
LLP JV Katco	-	-	-	1,065	3,001	11,130
JSC Kazyna Capital Management	2	51	-	-	-	2
JSC International Airport Atyrau	-	-	-	424	766	1,331
JSC GSM Kazakhstan JSC Kazakhtelecom	13,283	11,270	19,811	2,504	199	-
JSC Alliance Bank	-	1	-	-	40	7
JSC Development Bank of Kazakhstan	24	24	-	-	-	-
JSC BTA Bank	326	10	-	273	2,025	-
JSC Temir Bank	62	42	-	164	-	-
JSC Astana Finance	92	-	-	-	-	1,962,860
Other	-	-	-	1,633	1,133	934
	383,818	498,591	157,004	1,222,745	925,655	2,648,691

(in thousands of tenge unless otherwise stated)

Transactions with related parties (profit oriented state-owned entities) were as follows for the years ended December 31:

	Sales of services		Purchases of services	
Company name	2011	2010 (restated)	2011	2010 (restated)
JSC National Company KazMunaiGas	4,710,471	7,061,091	120,920	1,207,467
JSC Kazpost	711,013	692,916	190,214	81,435
JSC Kazakhtelecom	227,312	266,622	531,266	587,655
JSC National Nuclear Company Kazatomprom	714,763	449,012	123,170	80,684
JSC KEGOC	8,049	8,912	3,152,105	2,922,614
JSC National Company Kazakhstan Engineering	406,294	81,774	1,871,887	708,488
JSC Samruk-Energo	150,468	128,804	283,513	236,136
JSC Air Astana	57,263	44,113	137	-
JSC GSM Kazakhstan JSC Kazakhtelecom	125,023	191,526	12,960	532
LLP JV Betpak Dala	3,923	1,580	-	-
LLP JV Katco	7,470	9,157	-	-
JSC Kazyna Capital Management	211	70	-	-
JSC International Airport Atyrau	4,323	8,820	-	-
JSC KOREM	-	-	16,497	15,712
LLP Samruk-Kazyna Contract	-	-	75,313	71,584
JSC Alliance Bank	1,712	1,936	-	-
JSC Development Bank of Kazakhstan	687	-	3,062	620
JSC BTA Bank	3,398	2,116	100,853	74,413
JSC Temir Bank	1,347	1,634	1,582	-
JSC Astana Finance	1,225	442,983	202	-
Other	9,777	7,568	-	-
	7,144,729	9,400,634	6,483,681	5,987,340

The services provided by related parties include repair works and other costs of providing services. The services provided to related parties include cargo transportation services. Sales to and purchases from related parties are at prices intended to be consistent with market rates. Outstanding balances at year-end are unsecured and interest free with settlement is made in cash. There have been no guarantees provided or received for any related party receivables or payables.

In addition, as at December 31, 2011 the Group acquired inventories in the amount of 3,678,511 thousand tenge (2010: 508,844 thousand tenge) and non-current assets in the amount of 1,075,339 thousand tenge (2010: 2,063,769 thousand tenge).

At December 31, 2011 and 2010, and January 1, 2010 the Group has created bad debt provisions of 68,716 thousand tenge, 99 thousand tenge and 84 thousand tenge, respectively, against the receivables from related parties.

In addition to services related to operating activities, the Group has various related party transactions related to its investments and financing including the following:

(a) as at December 31, 2011 and 2010, and January 1, 2010, the Group's borrowings in the amount of 3,292,686 thousand tenge, 3,597,548 thousand tenge and 3,950,158 thousand tenge, respectively, were guaranteed by the Government of the Republic of Kazakhstan (Note 17);
(b) as at December 31, 2011 and 2010, and January 1, 2010, the Group has loans of 1,943,511 thousand tenge, 1,898,521 thousand tenge and 1,314,034 thousand tenge, respectively, from JSC Development Bank of Kazakhstan (Note 17);
(c) as at December 31, 2011 and 2010, and January 1, 2010 the Group's finance lease liabilities to JSC Development Bank of Kazakhstan amounted to 1,377,070 thousand tenge, 1,566,059 thousand tenge and 1,754,901 thousand tenge, respectively;
(d) as at December 31, 2011 the Group has loans of 105,138,214 thousand tenge (December 31, 2010: 20,504,278, January 1, 2010: nil) from the Shareholder. The loans received in 2011 were recognized at amortized cost and reflect a discount of 10,271,770 thousand tenge, less a deferred tax effect of 2,054,354 thousand tenge, due to such loans being issued to the Company at less than fair value (2010: discount of 9,694,252 thousand tenge, less a deferred tax effect of 1,938,850 thousand tenge) (Note 17);
(e) as at January 1, 2010, the Group has loans of 2,369,214 thousand tenge from JSC BTA Bank (Note 17);
(f) as at December 31, 2011, 2010 and January 1, 2010, the Group has loans of 15,856,087 thousand tenge, 1,608,058 thousand tenge and nil tenge, respectively, from JSC Halyk Bank of Kazakhstan (Note 17);
(g) as at December 31, 2011 the Group has loans of 301,583 thousand tenge from JSC Alliance Bank;

(in thousands of tenge unless otherwise stated)

(h) as at December 31, 2011, 2010 and January 1, 2010 the Group deposited cash on current and deposit accounts with JSC Halyk Bank of Kazakhstan, JSC Kazkommertsbank, JSC BTA Bank, JSC Alliance Bank, JSC Temir Bank and JSC Development Bank of Kazakhstan. In 2010 JSC Kazkommertsbank was disposed from the list of related parties. The Group recognized finance income from these bank current accounts and deposits in the amount of 443,365 thousand tenge and 740,771 thousand tenge during the years ended December 31, 2011 and 2010, respectively. The deposits with these banks at December 31, 2011, 2010 and January 1, 2010 consist of the following:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
JSC Halyk Bank of Kazakhstan			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	65,337,934	32,148,533	7,855,497
Deposits with maturity period of 3 to 12 months (Note 12)	3,004,657	32,914,415	10,173,176
JSC Kazkommertsbank			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	-	-	20,787,238
JSC BTA Bank			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	305,685	317,397	1,513,586
JSC Alliance Bank			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	54,710	17,042	5,495
Deposits with maturity period of 3 to 12 months (Note 12)	59,500	22,000	-
JSC Temir Bank			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	23,014	21,760	3,221
JSC Development Bank of Kazakhstan			
Cash on current accounts and on short-term deposits with maturity period of up to three months (Note 15)	73	3	-
Restricted cash	224,665	227,662	233,714

(in thousands of tenge unless otherwise stated)

Amounts due to and from associates and joint ventures, recorded within trade accounts payable, other current liabilities, trade accounts receivable, other current and non-current assets, as at December 31, 2011, 2010 and January 1, 2010, and transactions with associates and joint ventures for the years then ended are as follows:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Due			
From associates and joint ventures	8,744,826	139,504	-
To associates and joint ventures	1,021,768	582,312	166,533

	2011	2010 (restated)
Transactions with associates and joint ventures		
Sales	2,431,273	989,946
Purchases	3,008,922	2,313,901

The transactions entered into with associates and joint ventures primarily related to repair services and are entered into at terms consistent with that of third parties.

As at December 31, 2011 amounts due to and from associates and joint ventures include advances paid to Tulpar-Talgo LLP for acquisition of passenger wagons of 8,723,511 thousand tenge (2010: nil).

Compensation of key management personnel of the Group

Key management personnel comprise members of the Group's Management Board and Board of Directors and other key managers, totaling 23 persons as at December 31, 2011 (December 31, 2010: 30 persons). Compensation to key management personnel for the years ended December 31 was as follows:

	2011	2010 (restated)
Salaries	318,382	228,763
Social tax	36,203	25,500
Income tax	34,383	25,052
Pension deductions	28,420	21,950
Bonuses	46,358	18,128
Social deductions	2,144	1,990
Total	465,890	321,383

35. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, cash and cash equivalents, and short-term deposits as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Capital risk management

The Group manages capital insufficiency risk to ensure that the Group can continue as a going concern with maximum increase in profits for the founders by optimizing the balance of debt and equity.

The Group's capital structure includes share capital, additional paid-in capital, foreign currency translation reserve and retained earnings.

Significant accounting policies

The significant accounting policies and adopted methods, including criteria of recognition, evaluation basis and the basis on which income and expenses are recognized with respect to each class of financial assets, financial liabilities and equity instruments are disclosed in Note 2 to the consolidated financial statements.

Financial risk management objectives

Management of risk is an essential element of the Group's operations. The Company monitors and manages financial risks relating to the Group's operations through internal reports on risks which analyze the exposure to risk by the degree and size of risks. These risks include the market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Group's risk management policies in relation to those risks follows.

Interest rate risk

The interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its investments and increasing cash outflow on its borrowings. The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which its cash and cash equivalents, short-term investments and borrowings are denominated, and by maintaining a balance between its loans with fixed and floating interest rates.

(in thousands of tenge unless otherwise stated)

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term debt. The weighted average effective interest rates were as follows as at December 31, 2011, 2010 and January 1, 2010:

	December 31, 2011 (% per annum)	December 31, 2010 (% per annum) (restated)	January 1, 2010 (% per annum) (restated)
Short-term borrowings:			
Tenge	5.65	10.43	15.00
US Dollars	-	-	4.73
Long-term borrowings:			
Tenge	7.03	6.28	14.42
US Dollars	6.10	6.14	5.85
Japanese Yen	3.65	3.49	3.67
Euro	6.56	6.11	5.87

Interest rate sensitivity analysis

The following table shows the allocation of changes in the interest income, interest rates and net interest income between changes in the volume and changes in the rate. The fluctuations between the volume and the rate were calculated on movement in the average balances and changes in interest rates on average, interest bearing assets and average interest bearing liabilities.

	2011/2010 Change due to increase/(decrease)		Total change	Change in interest rate, %	2010/2009 Change due to increase/(decrease)		Total change	Change in interest rate, %
	Volume	Rate			Volume	Rate		
Finance income:								
Short-term deposits	(439,348)	-	(439,348)	-	(348,010)	-	(348,010)	-
Other financial assets	1,793,904	-	1,793,904	-	974,978	-	974,978	-
Finance costs:								
Bank loans	4,776,823	3,679	4,780,502	0.01%	(67,156)	(197,611)	(264,767)	(0.93%)
Finance lease	(26,835)	-	(26,835)	-	752,460	-	752,460	-
Debt securities	1,762,634	-	1,762,634	-	1,499,644	-	1,499,644	-

The following table reflects the Group's sensitivity to 1% increase and decrease in the interest rates. The sensitivity analysis is based on an assumption that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The positive figure indicates the increase in profits for the reporting period in case of lowering the interest rate. In case of interest rate increasing, there will be an equal and opposite effect on profits.

	2011	2010 (restated)
Bank loans	528,392	389,852

(in thousands of tenge unless otherwise stated)

Foreign currency risk

The Group's short-term and long-term foreign currency debts are denominated in US Dollars and Japanese Yen and are presented in the consolidated financial statements in tenge. A change in the tenge value against foreign currencies will result in a foreign exchange gain or loss. The Group limits foreign currency risk by monitoring changes in exchange rates in the currencies in which its cash, short-term deposits and borrowings are denominated. The Group's primary exposure is related to the Group's long-term borrowings, which are primarily denominated in US dollars. The Group maintains a portion of its cash in US dollars in order to partially offset any foreign currency gain or loss on the borrowings.

Foreign currency sensitivity analysis

The Group is mainly exposed to risk of change in US Dollar, Russian ruble, Swiss franc and Japanese yen.

The following table reflects the Group's sensitivity to 10% increase and decrease in the value of tenge with respect to relevant foreign currencies. The sensitivity analysis is based on the amounts outstanding at the end of the period. The sensitivity analysis includes (a) external loans and accounts payable and (b) accounts receivable of the Group, when the loan or accounts payable/receivable are denominated in the currency differing from the currency of the creditor or debtor. The following table indicates changes in financial assets and liabilities, in case of strengthening of tenge by 10% with respect to the relevant currency.

The positive figure indicates the increase in profits for the reporting period and negative indicates the decrease in profits. In case of weakening of tenge by 10% with respect to the relevant currency, there will be an equal and opposite effect on profits.

	Effect of change in the exchange rate as at December 31, 2011					
	US Dollars	**Euro**	**Swiss Francs**	**Russian Rubles**	**Japanese Yen**	**Total effect**
Financial assets:						
Cash and cash equivalents	(978,417)	(65,956)	(3,578)	(22,562)	-	(1,070,513)
Other financial assets	(2,852,216)	-	-	-	-	(2,852,216)
Trade accounts receivable	(47,914)	-	(138,302)	(6,446)	-	(192,662)
						(4,115,391)
Financial liabilities:						
Trade accounts payable	66,595	3,187	79,417	41,520	-	190,719
Loans and accrued interest	5,148,408	30,566	-	-	666,371	5,845,345
Debt securities	15,698,456	-	-	-	-	15,698,456
						21,734,520
Net effect						17,619,129

(in thousands of tenge unless otherwise stated)

	Effect of change in the exchange rate as at December 31, 2010 (restated)					
	US Dollars	**Euro**	**Swiss Francs**	**Russian Rubles**	**Japanese Yen**	**Total effect**
Financial assets:						
Cash and cash equivalents	(2,500,623)	(68,416)	(119,416)	(198,012)	-	(2,886,467)
Other financial assets	(9,220,584)	-	-	-	-	(9,220,584)
Trade accounts receivable	(33,786)	-	(157,637)	(1,062)	-	(192,485)
						(12,299,536)
Financial liabilities:						
Trade accounts payable	653,761	1,957	83,086	36,656	-	775,460
Loans and accrued interest	4,624,028	38,063	-	-	701,647	5,363,738
Debt securities	22,266,808	-	-	-	-	22,266,808
						28,406,006
Net effect						16,106,470

The carrying value of financial assets and financial liabilities, denominated in foreign currencies as at December 31, 2011, 2010 and January 1, 2010 is as follows:

	December 31, 2011	**December 31, 2010 (restated)**	**January 1, 2010 (restated)**
Financial assets:			
Cash and cash equivalents	10,705,129	28,864,670	23,415,450
Other financial assets	28,522,160	92,205,839	14,310,740
Trade accounts receivable	1,926,615	1,924,841	3,903,303
	41,153,904	122,995,350	41,629,493
Financial liabilities:			
Trade accounts payable	1,907,183	7,754,604	4,613,148
Loans and accrued interest	58,453,440	53,637,376	48,128,740
Debt securities	156,984,560	222,668,084	118,798,719
	217,345,183	284,060,064	171,540,607

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset. The Group considers that its maximum exposure is reflected by the amount of trade accounts receivable (Note 11) and other current assets (Note 14), net of allowances for doubtful debts recognized at the reporting date.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

(in thousands of tenge unless otherwise stated)

The maximum exposure to credit risk with regard to trade accounts receivable and by geographic regions were as following as at the reporting date:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Within the country	2,641,528	3,278,583	3,500,840
Outside the country	1,926,615	1,924,841	3,903,303

Procedures are in force to ensure that sales are only made to customers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimized by the fact that the Group operates on a prepayment basis with the majority of its customers. Prepayments are secured by bank guarantees.

The Group does not guarantee the obligations of other parties.

As at December 31, 2011, 2010 and January 1, 2010 the allocation of trade accounts receivable by the aging was as following:

	December 31, 2011	December 31, 2010 (restated)	January 1, 2010 (restated)
Not overdue	4,256,293	4,463,217	2, 928, 225
3-6 months overdue	289,829	523,009	912,775
6-12 months overdue	22,021	217,198	3,563,143
	4,568,143	5,203,424	7,404,143

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through the periodic estimation of potential losses that could arise from adverse changes in market conditions.

Liquidity risk

The Group manages short-term, mid-term and long-term financing liquidity risk in accordance with requirements of the Shareholder. The Group manages the liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constant monitoring of the projected and actual cash flows and comparison of maturities of financial assets and liabilities.

(in thousands of tenge unless otherwise stated)

The following tables reflect contractual terms of the Group's financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Company can be required to pay. The table includes cash flows both on interest and principal.

	Interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2011							
Non-interest bearing:							
Trade accounts payable	-	50,647,466	1,634,843	18,681,219	-	-	70,963,528
Accrued salary	-	9,653,013	-	-	-	-	9,653,013
Other current liabilities	-	3,030,830	-	8,128,498	-	-	11,159,328
Notes of JSC Citibank Kazakhstan	-	2,970,000	-	-	-	-	2,970,000
Interest bearing:							
ABN Amro Bank N.V (Loan 1)	6-month LIBOR for USD denominated deposits + 0.13%	-	-	301,909	-	-	301,909
ABN Amro Bank N.V (Loan 2)	3-month LIBOR for USD denominated deposits + 0.07%	-	570,635	1,706,816	1,976,227	-	4,253,678
Japan Bank for International Cooperation ("JBIC")	3.00%	-	-	966,910	3,606,531	3,191,991	7,765,432
Instituto de Credito Oficial ("ICO")	2.50%	-	-	401,759	1,523,850	1,556,526	3,482,135
JSC Development Bank of Kazakhstan (Loan 1)	9.80%	-	-	419,228	195,635	-	614,863
JSC Development Bank of Kazakhstan (Loan 2)	8.00%	-	261,124	252,443	1,035,856	-	1,549,423
EBRD (Loan 1)	6-month LIBOR for USD denominated deposits + 3.25-3.35%	-	1,307,557	1,291,771	9,597,381	4,315,421	16,512,130
EBRD (Loan 2)	6-month LIBOR for USD denominated deposits + 3.25%	-	-	289,076	4,823,540	3,717,097	8,829,713
EBRD (Loan 3)	6-month LIBOR for USD denominated deposits + 2.95% for US Dollar tranche, 6-month LIBOR for USD denominated deposits + 2.95% and all-in cost for tenge tranche	-	158,628	441,182	9,770,850	4,544,684	14,915,344
JSC NWF Samruk-Kazyna (Loan 1)	2.00%	300,000	-	300,000	2,400,000	34,500,000	37,500,000
JSC NWF Samruk-Kazyna (Loan 2)	0.75%	-	-	26,083	310,476	4,109,524	4,446,083
JSC NWF Samruk-Kazyna (Loan 3)	0.75%	-	-	100,313	1,164,286	15,410,565	16,675,164
JSC NWF Samruk-Kazyna (Loan 4)	7.20%	-	270,000	819,000	4,323,000	15,810,000	21,222,000
JSC NWF Samruk-Kazyna (Loan 5)	7.20%	-	1,092,000	3,300,000	17,532,000	63,288,000	85,212,000
JSC ATF Bank (Loan 1)	4.51%	-	43,513	42,830	-	-	86,343
JSC ATF Bank (Loan 2)	9.93-15.00%	35,636	1,148,578	1,928,843	359,998	-	3,473,055
JSC ATF Bank (Loan 3)	8.48%	-	58,945	269,248	1,129,864	237,734	1,695,791
JSC ATF Bank (Loan 4)	8.84%	-	-	536,951	1,825,962	379,290	2,742,203
JSC ATF Bank (Loan 5)	6-month LIBOR for USD denominated deposits + 3.00%	-	1,810,745	1,786,479	11,752,255	-	15,349,479
JSC SB HSBC Bank Kazakhstan	12.50%	5,435	23,099	85,644	-	-	114,178
Notes payable	5.48%	-	-	83,165	261,652	-	344,817
JSC Halyk Bank of Kazakhstan	5.5-6.0%	28,111	58,667	7,258,333	-	-	7,345,111
JSC Citibank Kazakhstan	4.75%	17,997	34,833	4,418,789	-	-	4,471,619
JSC Halyk Bank of Kazakhstan	10.02-12.50%	1,018,752	-	84,239	298,612	-	1,401,603
JSC Halyk Bank of Kazakhstan (Loan 2)	7.00-12.00%	895,582	545,656	2,185,109	5,559,839	-	9,186,186
Other loans	10.0-15.0%	2,962	306,000	-	-	-	308,962
Debt securities	6.38-7.00%	-	-	10,328,066	91,080,551	130,369,400	231,778,017
Finance lease	8.50-18.25%	-	-	1,370,017	5,242,687	3,145,905	9,758,609
		68,605,784	9,324,823	67,803,920	175,771,052	284,576,137	606,081,716

(in thousands of tenge unless otherwise stated)

	Interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
2010 (restated)							
Non-interest bearing:							
Trade accounts payable	-	45,482,998	3,448,979	8,536,505	-	-	57,468,482
Accrued salary	-	9,570,619	-	-	-	-	9,570,619
Other current liabilities	-	2,504,107	-	7,336,026	-	-	9,840,133
Interest bearing:							
ABN Amro Bank N.V (Loan 1)	6-month LIBOR for USD denominated deposits + 0.13%	-	-	602,225	299,685	-	901,910
ABN Amro Bank N.V (Loan 2)	3-month LIBOR for USD denominated deposits + 0.07%	-	566,868	1,697,206	4,215,780	-	6,479,854
ABN Amro Bank N.V (Loan 3)	6-month LIBOR for USD denominated deposits + 1.20%	-	7,062,141	6,985,479	-	-	14,047,620
Japan Bank for International Cooperation ("JBIC")	3.00%	-	-	940,217	3,516,118	3,842,747	8,299,082
Instituto de Credito Oficial ("ICO")	2.50%	-	-	407,028	1,546,430	1,912,241	3,865,699
JSC Development Bank of Kazakhstan (Loan 1)	9.80%	-	-	412,623	609,863	-	1,022,486
JSC Development Bank of Kazakhstan (Loan 2)	8.00%	-	40,058	315,486	1,331,785	-	1,687,329
JSC SB HSBC Bank Kazakhstan	14.30	6,228	-	17,614	25,954	-	49,796
JSC NWF Samruk-Kazyna	2%	156,667	-	300,000	2,400,000	35,100,000	37,956,667
EBRD (Loan 1)	6-month LIBOR for USD denominated deposits + 3.25%	-	106,041	11,586,801	-	-	11,692,842
EBRD (Loan 2)	6-month LIBOR for USD denominated deposits + 5%	-	-	351,478	4,342,119	5,011,235	9,704,832
ATF Bank (Loan 1)	4.27%	-	44,954	132,246	85,697	-	262,897
ATF Bank (Loan 2)	9.93-15%	-	-	585,699	2,852,105	-	3,437,804
ATF Bank (Loan 3)	8,48%	-	57,501	338,150	1,166,704	470,142	2,032,497
ATF Bank (Loan 4)	8.84%	-	-	561,623	1,939,349	783,989	3,284,961
Notes payable	5.48%	-	-	88,442	315,909	35,221	439,572
Halyk bank of Kazakhstan	10.02-12.50%	-	-	298,151	1,451,871	-	1,750,022
Debt securities	6.38-7.00%	-	-	78,083,664	40,756,100	187,430,839	306,270,603
Finance lease	10.50-18.25%	-	272,333	1,056,505	4,571,746	4,126,852	10,027,436
		57,720,619	11,598,875	120,633,168	71,427,215	238,713,266	500,093,143

(in thousands of tenge unless otherwise stated)

The following table reflects expected maturities of Group's financial assets. The table was prepared based on undiscounted contractual terms of financial assets, including interest received on these assets, except when the Company expects the cash flow in a different period.

	Interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Indefinite settlement term	Total
2011								
Interest bearing:								
Short-term deposits	1.40%	16,776,139	10,251,143	-	-	-	-	27,027,282
Interest on short-term deposits	1.40%	19,886	49,097	-	-	-	-	68,983
Other financial assets	3.59%	-	21,491,293	29,317,157	-	-	-	50,808,450
Interest on other financial assets	3.59%	-	362,262	827,266	-	-	-	1,189,528
Cash and cash equivalents	0.05-5.5%	93,891,750	-	-	-	-	-	93,891,750
Non-interest bearing:								
Cash and cash equivalents	-	9,276,361	-	-	-	-	-	9,276,361
Trade accounts receivable	-	623,541	-	5,590,335	-	-	5,204,454	11,418,330
		120,587,677	32,153,795	35,734,758	-	-	5,204,454	193,680,684
2010 (restated)								
Interest bearing:								
Short-term deposits	3.32%	1,615,200	15,344,455	-	-	-	-	16,959,655
Interest on short-term deposits	3.32%	1,642	97,470	-	-	-	-	99,112
Other financial assets	3.99%	-	-	121,607,832	-	-	-	121,607,832
Interest on other financial assets	3.99%	-	-	2,410,910	-	-	-	2,410,910
Cash on bank accounts	0.20-9.50%	60,389,924	-	-	-	-	-	60,389,924
Non-interest bearing:								
Cash and cash equivalents	-	20,145,372	-	-	-	-	-	20,145,372
Trade accounts receivable	-	555,795	18,448	4,629,181	-	-	4,944,335	10,147,759
		82,707,933	15,460,373	128,647,923	-	-	4,944,335	231,760,564

Fair values of financial instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

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

Cash and cash equivalents

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

(in thousands of tenge unless otherwise stated)

Trade and other receivables and payables

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates. Average year-end market borrowing rates were as follows as at December 31, 2011, 2010 and January 1, 2010:

	December 31, 2011 (% per annum)	December 31, 2010 (% per annum) (restated)	January 1, 2010 (% per annum) (restated)
Tenge			
with maturity from 1 to 5 years	11.40	12.40	14.30
with maturity over 5 years	6.90	10.40	11.80
Foreign currencies			
with maturity from 1 to 5 years	6.80	4.00	11.60
with maturity over 5 years	4.30	12.00	8.60

Borrowings

The estimate for loans from banks was made by discounting the scheduled future cash flows of individual loans through estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Group's bank loans are is mostly provided by international development institutions and foreign banks. As a result, the interest rates attributable to these loans although lower than those obtainable from private commercial institutions in the Republic of Kazakhstan are considered to be the market interest rates for this category of lenders. The fair value of the Eurobonds has been determined based on average prices at which deals have been executed prior as at the reporting date.

As at December 31, 2011 and 2010, and January 1, 2010 the fair value of financial assets and financial liabilities, except for borrowings, was not significantly different from its cost. Cost and fair value of long-term loans, excluding loans from international development institutions and those backed by governments, and Eurobonds as at December 31 is presented as follows:

	December 31, 2011		December 31, 2010 (restated)		January 1, 2010 (restated)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Borrowings	190,537,577	191,410,469	70,857,795	70,252,794	37,835,041	38,863,753
Eurobonds	156,984,560	163,978,223	222,668,084	233,977,417	118,798,719	115,520,811

The fair value of the loans from development institutions and those backed by the government have not been disclosed as it is not possible to estimate at what rate the Group could make similar borrowings from these parties and the rates from commercial banks would be significantly different. The fair value of these loans would vary significantly if calculated based on rates from commercial banks.

36. EVENTS AFTER THE REPORTING DATE

Loans

Under the credit line agreement with JSC Halyk Bank of Kazakhstan #KS 01-11-20 dated October 21, 2011 the Group's subsidiary, JSC Locomotive, received additional loans for replenishment of working capital of 3,000,000 thousand tenge with interest rate of 6% per annum and maturity on October 24, 2012.

In January 2012 within the framework of loan agreement the Group's subsidiary, Repair Corporation Kamkor LLP received loan of 1,223,461 thousand tenge from SB JSC Sberbank of Russia.