

"Sovereign Wealth Fund "Samruk-Kazyna" JSC

Consolidated Financial Statements

*Year ended December 31, 2009
with Independent Auditors' Report*

CONTENTS

	Page
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Balance Sheet	1-2
Consolidated Statement of Comprehensive Income	3-4
Consolidated Statement of Changes in Equity.....	5-6
Consolidated Statement of Cash Flows	7-8
Notes to the Consolidated Financial Statements.....	9-103

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Sovereign Wealth Fund "Samruk-Kazyna" JSC:

We have audited the accompanying consolidated financial statements of Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' 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 of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Elshad Aliyev
Audit Partner

Aisulu Narbayeva
Auditor / Acting General Director
Ernst & Young LLP



State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005



Auditor Qualification Certificate No. 0000137
dated 21 October 1994

21 June 2010

CONSOLIDATED BALANCE SHEET

As at December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*	2007
ASSETS				
Non-current assets				
Property, plant and equipment	7	3,773,002	3,146,349	2,510,706
Intangible assets	8	330,268	125,113	128,090
Investments in associates and joint ventures	9	1,094,052	656,099	591,706
Loans to customers	10	1,153,059	203,195	97,988
Amounts due from credit institutions	11	421,849	142,507	86,235
Deferred tax asset	40	44,219	13,558	6,555
Long-term financial assets	12	217,715	189,700	130,385
Long-term bank deposits	13	52,670	40,489	39,396
Other non-current assets	14	206,671	88,816	69,454
		7,293,505	4,605,826	3,660,515
Current assets				
Inventories	15	262,967	182,127	162,842
VAT recoverable		78,776	77,000	62,939
Income tax prepaid	40	39,743	26,071	20,242
Trade accounts receivable	16	201,712	158,326	223,039
Loans to customers	10	347,755	23,383	7,729
Amounts due from credit institutions	11	52,554	28,103	761
Short-term financial assets	12	198,722	142,296	126,748
Short-term bank deposits	13	929,754	584,326	530,904
Other current assets	16	225,178	106,971	76,414
Cash and cash equivalents	17	1,311,082	1,453,891	630,302
		3,648,243	2,782,494	1,841,920
Assets classified as held for sale and distribution to the shareholder	6	119,826	105	19,222
TOTAL ASSETS		11,061,574	7,388,425	5,521,657

CONSOLIDATED BALANCE SHEET (continued)

As at December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*	2007
EQUITY AND LIABILITIES				
Equity attributable to equity holder of the parent				
Share capital	18	3,748,299	3,458,923	–
Revaluation reserve for available-for-sale investments		6,475	(10,513)	(5,049)
Currency translation reserve		182,451	(29,814)	(33,996)
Other capital reserves		20,301	12,120	13,820
Retained earnings		184,558	499,003	2,796,624
		4,142,084	3,929,719	2,771,399
Minority interests		603,951	565,985	455,379
Total equity		4,746,035	4,495,704	3,226,778
Non-current liabilities				
Borrowings	19	2,234,872	1,420,054	667,121
Loans from the Government of the Republic of Kazakhstan	20	283,214	64,351	25,641
Finance lease liabilities	22	21,880	17,630	16,336
Provisions	23	79,181	51,387	62,858
Deferred tax liability	40	260,073	127,099	192,565
Employee benefit liability	24	28,514	27,052	26,396
Amounts due to the customers	25	213,362	15,450	9,179
Derivatives	26	138,725	7,466	4,462
Other non-current liabilities	21	396,000	295,815	20,262
		3,655,821	2,026,304	1,024,820
Current liabilities				
Borrowings	19	1,093,691	292,304	732,439
Loans from the Government of the Republic of Kazakhstan	20	593,599	859	384
Finance lease liabilities	22	10,094	6,208	5,593
Provisions	23	79,637	41,196	34,260
Employee benefit liability	24	1,927	1,703	1,284
Income taxes payable	40	33,123	58,131	64,576
Trade accounts payable		248,103	222,311	208,577
Amounts due to the customers	25	215,722	13,433	12,767
Derivatives	26	4,800	15,011	35,781
Other current liabilities	27	352,607	215,261	166,009
		2,633,303	866,417	1,261,670
Liabilities associated with assets classified as held for sale and distribution to the shareholder	6	26,415	–	8,389
Total liabilities		6,315,539	2,892,721	2,294,879
TOTAL EQUITY AND LIABILITIES		11,061,574	7,388,425	5,521,657

*Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 3

The accounting policies and explanatory notes on pages 9 through 103 form an integral part of these consolidated financial statements

Managing Director – Member of the Management Board



Kairat Aitekenov

Chief Accountant

Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*
Revenue	28	2,911,833	2,874,187
Government grants	29	15,796	12,271
		2,927,629	2,886,458
Cost of sales	30	(1,925,732)	(1,945,987)
Gross profit		1,001,897	940,471
General and administrative expenses	31	(312,367)	(265,023)
Transportation and selling expenses	32	(180,648)	(155,474)
Gain on disposal of subsidiaries	33	2,713	2,840
Negative goodwill on acquisition	5	163,919	–
Gain / (loss) on disposal of property, plant and equipment, net		17,821	(814)
Impairment loss	34	(1,032,760)	(89,989)
Other operating income		33,619	18,786
Other operating expenses	35	(238,337)	(15,198)
Operating (loss) / profit		(544,143)	435,599
Finance costs	36	(169,668)	(131,454)
Finance income	37	93,936	126,278
Share of income in associates and joint ventures	38	278,838	266,669
Net foreign exchange loss	39	(12,584)	(15,227)
(Loss) / Profit before income tax		(353,621)	681,865
Income tax expenses	40	(265,723)	(195,555)
(Loss) / Profit for the year from continuing operation		(619,344)	486,310
Loss from discontinued operations	6	(5,267)	(9,898)
(Loss) / Profit for the year		(624,611)	476,412
Attributable to:			
Equity holder of the parent		(564,290)	367,736
Minority interests		(60,321)	108,676
		(624,611)	476,412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the years ended December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*
Other comprehensive income, net of tax:			
Foreign currency translation		227,434	4,266
Unrealized gain / (loss) on financial assets available-for-sale		6,511	(5,951)
Net realized gain on financial assets available-for-sale		3,135	513
Reclassifications from other comprehensive income to other gains / (losses) on impairment of financial assets available-for-sale		6,705	-
Gains / (losses) from operations with hedge instruments		5,997	(3,259)
Total comprehensive (loss) / gain for the year, net of tax		(374,829)	471,981
Attributable to:			
Equity holder of the parent		(328,918)	363,221
Minority interest		(45,911)	108,760
		(374,829)	471,981
Earnings per share:			
Basic and diluted share in (loss) / profit for the period attributable to the equity holder of the parent		(163,42)	133,74
Earnings per share for continuing operations:			
Basic and diluted share in (loss) / profit from continuing operations attributable for the equity holder of the parent		(161,90)	137,34

**Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 3*

The accounting policies and explanatory notes on pages 9 through 103 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board



Kairat Aitkenov

Chief Accountant

Aimaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31.

In millions of Tenge	Note	Share Capital	Attributable to equity holder of the parent						Total	Minority interests	Total
			Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total				
Balance as at December 31, 2007											
Total comprehensive income for the year		-	(5,049)	(33,996)	13,820	2,796,624	2,771,399	455,379	3,226,778		
Issue of share capital	18	3,458,923	(5,438)	4,182	(3,259)	367,736	363,221	108,760	471,981		
Dividends paid	18	-	(26)	-	-	(2,663,267)	795,630	-	795,630		
		-	-	-	-	(7,761)	(7,761)	(20,904)	(28,665)		
Recognition of share based payments		-	-	-	1,315	-	1,315	-	1,315		
Execution of share based payments		-	-	-	(1,830)	879	(951)	701	(250)		
Transactions with the Government acting in a capacity of a shareholder		-	-	-	-	19,267	19,267	-	19,267		
Change in ownership interests of subsidiaries		-	-	-	-	(1,466)	(1,466)	(1,205)	(2,671)		
- acquisition of minority		-	-	-	-	181	181	-	181		
Other changes in equity of associates		-	-	-	-	-	-	-	-		
Change in ownership interests of subsidiaries		-	-	-	-	(106)	(8,828)	27,158	18,330		
- acquisitions by minority shareholders		-	-	-	-	-	-	(3,384)	(3,384)		
Change in ownership interests of subsidiaries		-	-	-	-	-	-	-	-		
- disposal of subsidiary		-	-	-	-	-	-	(520)	(520)		
Buy back of shares of subsidiary from the market performed by subsidiary		-	-	-	-	(2,288)	(2,288)	-	(2,288)		
Other distributions of subsidiaries		-	-	-	-	(2,180)	(2,180)	-	(2,288)		
Increase in other capital reserves		-	-	-	2,180	(2,180)	-	-	-		
As at December 31, 2008 (restated*)		3,458,923	(10,513)	(29,814)	12,120	499,003	3,929,719	565,985	4,495,704		

*Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the years ended December 31,

	Note	Attributable to equity holder of the parent							Minority interests	Total
		Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total			
<i>In millions of Tenge</i>										
Balance as at December 31, 2008 (restated*)		3,458,923	(10,513)	(29,814)	12,120	499,003	3,929,719	565,985	4,495,704	
Total comprehensive income for the year	18	289,376	17,110	212,265	5,997	(564,290)	(328,918)	(45,911)	(374,829)	
Issue of share capital						(220,392)	68,984		68,984	
Discounting of bonds placed by the Fund and purchased by the Shareholder (National Bank)	18									
Dividends paid	18					461,255	461,255		461,255	
Recognition of share based payments	18							(22,878)	(22,878)	
Execution of share based payments					248		248		248	
Forfeiture of options in subsidiaries					6	203	209		209	
Change in ownership interests of subsidiaries – acquisitions by minority shareholders					(165)		(165)		(165)	
Change in ownership interests of subsidiaries – acquisition of minority	18				(192)	15,003	14,811	18,404	33,215	
Acquisition of subsidiary	5, 18		(122)			(1,313)	(1,435)	(2,136)	(3,571)	
Change in ownership interests of subsidiaries – loss of control	18, 33				3,436		3,436	144,240	147,676	
Change in ownership interests of subsidiaries – disposal of subsidiary								(31,536)	(31,536)	
Buy back of shares of subsidiary from the market performed by subsidiary	18				(3,627)	(1,593)	(5,220)	(20,987)	(26,207)	
Other distributions to the Shareholder						(577)	(577)		(577)	
Other distributions of subsidiaries						(20)	(20)		(20)	
Other changes in equity of associates						(243)	(243)		(243)	
Increase in other capital reserves					2,478	(2,478)				
Balance as at December 31, 2009		3,748,299	6,475	182,451	20,301	184,558	4,142,084	603,951	4,746,035	

*Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 3

The accounting policies and explanatory notes on pages 9 through 103 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board

Kairat Aitkenov

Chief Accountant

Almaz Abdrahmanova



CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*
Cash flows from operating activities:			
(Loss) / profit before income tax		(353,621)	681,865
Loss before income tax from discontinued operations		(5,267)	(9,898)
Adjustments for:			
Depreciation, depletion and amortization	7, 8	215,187	188,698
Share of income in associates and joint ventures	9	(278,838)	(266,669)
Finance costs	36	169,668	131,454
Finance income	37	(93,936)	(126,278)
Impairment loss	34	1,032,760	89,989
Long-term employee benefits	24	1,686	3,090
Negative goodwill on acquisition		(163,919)	-
Provision charges	23	(29,875)	8,045
Derivatives		5,997	(3,259)
(Gain) / loss on disposal of property, plant and equipment, net		(17,821)	814
Gain on disposal of subsidiaries	6	(2,713)	(2,840)
Unrealized loss / (gain) from oil hedging operations		3,336	(3,753)
Allowance for doubtful debts on trade accounts receivable and other current assets	16	16,393	16,426
Allowance for VAT recoverable	14	1,465	980
Loss on revaluation of financial assets designated at fair value through profit and loss		208,610	11,961
Share-based payments expense		248	1,209
Provision for write-down of inventory	15	505	7,983
Realized loss on revaluation of available-for-sale assets		2,590	513
Losses on impairment of financial assets available-for-sale reclassified to profit /loss		6,705	-
Unrealized foreign exchange loss		204,522	1,520
Operating cash flows before working capital changes		923,682	731,850
Changes in other non-current assets		(19,857)	6,798
Changes in loans to customers		(267,934)	(140,176)
Changes in amounts due from credit institutions		(227,051)	(104,808)
Changes in financial assets		204,558	(54,750)
Changes in derivatives		(139,045)	5,479
Changes in inventories		(88,395)	(44,609)
Changes in VAT recoverable		(4,500)	(13,932)
Changes in trade accounts receivable		(69,410)	51,486
Changes in other current assets		(52,192)	(22,888)
Changes in borrowings and Loans from the Government		1,459,666	125,947
Changes in trade accounts payable		41,066	13,047
Changes in amounts due to the customers		(539,030)	6,937
Changes in other liabilities		20,078	49,187
Cash generated from operating activities		1,241,636	609,568
Income taxes paid		(201,026)	(282,121)
Interest paid		(129,660)	(104,135)
Interest received		80,537	84,366
Net cash flows from operating activities		991,487	307,678

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the years ended December 31,

<i>In millions of Tenge</i>	Note	2009	2008 Restated*
Cash flows from investing activities:			
Placement of bank deposits, net		(338,349)	(57,992)
Acquisition of associates and joint ventures	9	(92,539)	(40,810)
Acquisition of subsidiaries, net of cash acquired	5	(119,015)	(37,719)
Acquisitions of minority interests	5	(3,571)	(6,841)
Cash of subsidiaries being reclassified from disposal group		(25,890)	105
Purchase of property, plant and equipment		(587,464)	(550,500)
Purchase of intangible assets		(16,363)	(19,637)
Purchase of financial assets		(1,892)	(31,601)
Proceeds from sale of property, plant and equipment		52,805	36,208
Advances paid for non-current assets	14	(115,786)	(19,535)
Dividends received from joint ventures and associates	8	162,100	235,749
Proceeds from sale of associates		733	-
Proceeds from sale of subsidiaries		-	3,935
Stock options exercised		209	(420)
Cash and cash equivalents of subsidiaries where the Group lost the control	6	(2,276)	-
Net cash flows used in investing activities		(1,087,298)	(489,058)
Cash flows from financing activities:			
Proceeds from borrowings		433,278	936,195
Repayment of borrowings		(582,992)	(719,504)
Repayment of finance lease liabilities		(6,914)	(4,936)
Redemption of shares of subsidiaries		(26,371)	(521)
Transactions with the shareholder		11,732	19,164
Dividends paid to minority shareholders of subsidiaries	18	(22,878)	(20,904)
Contributions to share capital by minorities		5,647	8,624
Dividends paid to the shareholder		-	(7,761)
Other distributions of subsidiaries		(22)	(2,289)
Contributions to share capital		67,346	795,630
Net cash flows from / (used in) financing activities		(121,174)	1,003,698
Effects of exchange rate changes on cash and cash equivalents		74,176	1,271
Net increase in cash and cash equivalents		(142,809)	823,589
Cash and cash equivalents at the beginning of the year		1,453,891	630,302
Cash and cash equivalents at the end of the year	16	1,311,082	1,453,891

Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 3


The accounting policies and explanatory notes on pages 9 through 103 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board



Kurat Aitekenov

Chief Accountant



Ainaz Abdrakhmanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2009

1. GENERAL**Corporate Information**

Sovereign Wealth Fund "Samruk-Kazyna" JSC (the "Fund" or "Samruk-Kazyna") was established in accordance with the legislation of the Republic of Kazakhstan on November 3, 2008 in conjunction with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Decree of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of Sustainable Development Fund "Kazyna" JSC ("Kazyna") and Kazakhstan Holding Company for State Assets Management "Samruk" JSC ("Samruk") and the additional transfer of ownership in certain entities owned by the Government of the Republic of Kazakhstan (the "Government" or the "State") to the Fund. The Government, represented by the State Assets and Privatization Committee of the Ministry of Finance is the sole shareholder of the Fund (the "Shareholder").

The Fund is a holding company for Kazakhstan state-owned enterprises listed in *Note 41* (hereinafter referred to as the "Group"). For management purposes, the Group is organized into organizational business units based on their products and services, and has six reportable operating segments (*Note 45*). The Oil and Gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products. The Transportation segment includes operations related to railway and air transportation of cargo and passengers. The Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services. The Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Electricity System of the Republic of Kazakhstan. The Mining segment is engaged in exploration and production of mineral resources with further processing and trading. The Financial and Innovation Institutions segment includes operations related to development and stimulation of investment and innovation activities in all segments of the economy of Republic of Kazakhstan. Further this segment includes commercial banks acquired by the Fund during 2009 (*Note 5*).

The Government's overall objective of the reorganization is to increase management efficiency and to optimise organisational structures in these entities in order to successfully achieve their strategic objectives set in the respective Government programs and development plans. Merger of Samruk and Kazyna and additional transfer of businesses represent a combination of businesses under common control, which is accounted for by the Fund using the pooling of interests method as further described in *Note 3*.

The Company has its registered office in the Republic of Kazakhstan, Astana, 19, Kabanbay Batyr Avenue.

These consolidated financial statements were authorised for issue on June 21, 2010 by the Managing Director – Member of the Management Board and Chief Accountant of the Fund.

Economic environment of the Group

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. These reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government are aimed to support the future stability of the Kazakhstan economy.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Plan of stabilization of economic and financial systems for 2009-2010

In order to maintain stability of economic and financial system of the country during the world economic crisis the Government by Decree No. 1085 dated November 25, 2008 approved a Joint Action Plan of the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations on stabilization of the economy and financial system for 2009-2010 ("Stabilization Plan"). The Stabilization Plan provides certain measures aimed at the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1. GENERAL (continued)****Plan of stabilization of economic and financial systems for 2009-2010 (continued)**

- Stabilization of financial sector
- Resolution of real estate market issues
- Small and medium business support
- Development of agricultural sector
- Implementation of innovation, industrial and infrastructure projects

The Fund is the principal operator for the Government in the implementation of the Stabilization Plan.

As discussed further in these financial statements, under the financial sector stabilization measures of the Stabilization Plan the Fund acquired a controlling interest in BTA Bank JSC, obtained control over Alliance Bank JSC (*Note 5*) and acquired a significant stakes in Halyk Bank JSC and Kazkommertsbank JSC (*Note 9*). These measures were aimed to provide additional liquidity to the banks and ensure their solvency.

The Fund is not planning to keep its interest in BTA Bank JSC, Alliance Bank JSC, Halyk Bank JSC and Kazkommertsbank JSC in a long-term perspective. On March 30, 2010 Alliance Bank JSC has completed the process of restructuring its debts. Restructuring of BTA Bank JSC debts is in the closing stage as of the date of these consolidated financial statements. The ability of these banks to continue as a going concern is dependent on the successful implementation of new business models in accordance with conditions of restructuring. The combined net liabilities of BTA Bank and Alliance Bank recorded in these financial statements is 676,019 million Tenge. Since the date of acquisition these banks contributed a combined net loss of 983,636 million Tenge to the Group.

Establishment of Tariffs

A number of subsidiaries of the Group are the subjects of regulation by the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies. This agency is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant part of their revenues.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" and "KZT") and all monetary amounts are rounded to the nearest million Tenge except where otherwise indicated.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB").

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

Formation of the Group

The Group was formed in 2008 by the merger of Sustainable Development Fund "Kazyna" JSC and Kazakhstan Holding Company for State Assets Management "Samruk" JSC, controlled by the Government, and additional transfer of ownership in certain state owned entities from the State. As the Group has been formed through a reorganisation of entities under common control, these consolidated financial statements have been prepared using the pooling of interest method. As such, the financial statements, have been presented as if the transfers of controlling interests in the subsidiaries had occurred at the beginning of the earliest period presented, or, if later, on the date of the acquisition of the subsidiary by the transferring entities under common control. The assets and liabilities of the transferred subsidiaries were recorded in these consolidated financial statements at the carrying amount in the transferring entities' financial statements with a corresponding credit to equity. The par value of share capital has resulted through a combination of capitalization of retained earnings, cash and property contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Foreign currency translation***Functional and presentation currency*

Items included in these consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT"), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group entities

Gains, losses and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to Tenge as at December 31:

	2009	2008	2007
USD	148.46	120.79	120.30
EUR	213.95	170.89	177.17
CHF	144.12	109.70	107.72
RUR	4.90	4.11	4.92
JPY	1.61	1.30	1.10

The currency exchange rate of KASE as at June 21, 2010 146.95 Tenge to 1 US Dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted below, the accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2008.

New accounting developments

As at 1 January 2009 the Group has adopted the following new and amended IFRS and IFRIC interpretations:

- IFRS 2 Share-based Payment (Revised): Vesting Conditions and Cancellations effective January 1, 2009
- IFRS 7 Financial Instruments: Disclosures (Revised): Improvements of financial instruments disclosure, effective January 1, 2009
- IFRS 8 Operating Segments early adopted January 1, 2007
- IAS 1 Presentation of Financial Statements effective January 1, 2009
- IAS 23 Borrowing Costs early adopted January 1, 2007
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1, 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after June 30, 2009
- IFRIC 13 Customer Loyalty Programmes effective July 1, 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective October 1, 2008

When the adoption of the standard or interpretation is deemed to have an impact on the consolidated financial statements or performance of the Group, its impact is described below:

IFRS 7 – Financial Instruments: Disclosures (Revised)

The amended standard issued in March 2009 requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in *Note 44*. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in *Note 44*.

IAS 1 – Presentation of Financial Statements (Revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

The Group made early adoptions of IAS 23 "Borrowing Costs" and IFRS 8 "Operating Segments" as of January 1, 2007. The effect of early adoption of IAS 23 "Borrowing Costs" is disclosed in *Note 7*. The early adoption of IFRS 8 "Operating Segments" resulted in modified disclosure on segment reporting (*Note 46*).

IFRS and Interpretations issued but not yet effective

The Group did not apply the following IFRS and Interpretations that were issued, but not yet effective:

- IFRS 2 *Share-based Payment: Company Cash-settled Share-based Payment Transactions* effective January 1, 2010.
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective for annual periods starting on or after July 1, 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective for annual periods starting on or after July 1, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New accounting developments (continued)***IFRS and Interpretations issued but not yet effective (continued)*

- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective for annual periods starting on or after July 1, 2009.
- IFRIC 18 *Transfers of Assets from Customers* effective for annual periods starting on or after July 1, 2009.
- IFRIC 19 *Repayment of financial liabilities by equity instruments* effective for annual periods starting on or after July 1, 2010.
- IFRS 9 *Financial Instruments*
- IAS 24 *Related Party Disclosures – amendment*
- IAS 27 *Consolidated and Separate Financial Statements - amendment*
- IAS 32 *Classifications of rights issues*
- IAS 39 *Eligible hedged items*

The management believes that adoption of these Standards and Interpretations in future periods will not significantly affect the consolidated financial statements of the Group, except for below:

IFRS 9 Financial Instruments: specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value. Future effect of adoption of IFRS 9 on the consolidated financial statements of the Group cannot be reliably measured.

Improvements to IFRSs

In May 2008 and April 2009 the Board issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position and performance of the Group.

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with *IAS 39 Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Group does not have assets or liabilities classified as held for trading hence the improvement did not have any impact on the financial position and performance of the Group.

IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as the governmental subsidies received by the Group are not loans.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Improvements to IFRSs (continued)**

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Group.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

New aspects of the accounting policy

Obligatory reserves. Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statements and in the consolidated balance sheet.

Repurchase and reverse repurchase agreements and securities lending. Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated balance sheet. Securities borrowed are not recorded in the consolidated balance sheet, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New aspects of the accounting policy (continued)**

Impairment of amounts due from credit institutions and loans to customers. For assets carried at amortised cost, including amounts due from credit institutions and loans to customers, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Restructuring of loans. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restatements due to change in accounting policy and transfer of entities under common control*Change in accounting policies with respect to joint ventures*

In 2009 the Group changed its accounting policy with respect to the accounting of its interests in joint ventures from the proportionate consolidation method to the equity method of accounting. The Group's management considers that equity method of accounting in joint ventures shall ensure more reliable and relevant information.

This change in the accounting policy was accounted for on a retrospective basis and, as a result, comparative balance sheet as at December 31, 2008 and consolidated statement of comprehensive income for the year then ended has been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Restatements due to change in accounting policy and transfer of entities under common control (continued)**

Transfer of shares of NAC KazAtomProm JSC, House Construction Saving Bank of Kazakhstan JSC and other entities

On January 19, 2009, in accordance with the Decree of the Government No. 962 dated October 17, 2008, the Government contributed shares of National Atomic Company "KazAtomProm" JSC ("KazAtomProm") to the Fund.

On August 20, 2009, in accordance with the Decree of the Government No. 1148 dated July 27, 2009, the Government contributed shares of House Construction Saving Bank of Kazakhstan JSC ("HCSBK") to the Fund.

Additionally to the transfer of shares of KazAtomProm and HCSBK in 2009, the Government contributed shares of certain other entities ("Other entities") to the Fund and its subsidiaries.

As the transfers of these shares are business combinations under common control, these transactions have been recorded using the pooling of interest method in the consolidated financial statements. As such, these consolidated financial statements have been presented as if the transfer of shares of KazAtomProm, HCSBK and other entities had occurred at the beginning of the earliest period presented (i.e. January 1, 2008), and, as a result, the related comparative statements as of December 31, 2008 have been restated. The assets and liabilities of KazAtomProm, HCSBK and other entities were recorded in these consolidated financial statements at the carrying amount in their financial statements with a corresponding credit to equity.

The effect of the change on comparative data is tabulated below:

<i>In millions of Tenge</i>	Pooling of KazAtomProm, HCSBK and Other entities' financial statements	Change in the Group's accounting policy
Effect on the balance sheet as of December 31, 2008:		
Change in property, plant and equipment	101,178	(929,000)
Change in intangible assets	2,973	(4,305)
Change in investments in associates and joint ventures	18,968	459,305
Change in long-term loans to customers	30,436	3,047
Change in deferred income tax assets	2,937	(2,700)
Change in long-term financial assets	71,464	9,431
Change in long-term deposits in banks	905	(394)
Change in other non-current assets	27,582	(41,066)
Change in non-current assets	256,443	(505,682)
Change in inventories	36,169	(23,420)
Change in VAT recoverable	8,323	(16,317)
Change in income taxes prepaid	2,215	(8,573)
Change in trade accounts receivable	31,120	(24,783)
Change in short-term loans to customers	114	(1,663)
Change in short-term financial assets	43,627	13
Change in short-term deposits in banks	420	(15,315)
Change in other current assets	8,304	(32,411)
Change in cash and cash equivalents	36,787	(78,117)
Change in current assets	167,079	(200,586)
Change in assets classified as held for sale	-	(1,055)
Change in total assets	423,522	(707,323)
Change in borrowings	35,557	(310,304)
Change in borrowings of the Government of RK	23,560	-
Change in finance lease liabilities	156	(948)
Change in provisions	4,539	(16,795)
Change in deferred income tax liabilities	695	(92,709)
Change in employee benefit liability	-	(5,085)
Change in other non-current liabilities	44,907	(165,495)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Restatements due to change in accounting policy and transfer of entities under common control (continued)**

Transfer of shares of NAC KazAtomProm JSC, House Construction Saving Bank of Kazakhstan JSC and other entities (continued)

In millions of Tenge	Pooling of KazAtomProm, HCSBK and Other entities' financial statements	Change in the Group's accounting policy
Change in non-current liabilities	109,414	(591,336)
Change in borrowings	34,775	(30,175)
Change in borrowings of the Government of RK	63	-
Change in finance lease liabilities	108	(272)
Change in provisions	471	(866)
Change in income taxes payable	275	(9,516)
Change in employee benefit liability	-	(275)
Change in trade accounts payable	7,221	(53,909)
Change in derivatives	12	(12)
Change in other current liabilities	35,295	(24,646)
Change in current liabilities	78,220	(119,671)
Net change	235,888	3,684
Change in net assets	235,888	3,684
Effect on financial performance for the year ended December 31, 2008:		
Change in revenues	132,131	(594,058)
Change in cost of sales	84,120	(136,149)
Change in gross profit	48,011	(457,909)
Change in general administrative expenses	15,258	(41,900)
Change in transportation and selling expenses	2,142	(62,528)
Change in write off of exploratory dry wells	-	(3,494)
Change in gain / (loss) from disposal of property, plant and equipment	-	(410)
Change in loss impairment	465	(7,640)
Change in other operating income / (loss)	7,924	2,174
Change in income from operating activity	22,222	(344,111)
Change in currency translation difference	-	1,464
Change in finance income	2,355	(2,142)
Change in finance costs	4,505	(77,059)
Change in the share in profit / (loss) of associates and joint ventures	5,164	220,500
Change in profit before income tax	25,236	(47,230)
Change in income tax expenses	14,637	(52,384)
Change in profit from continued operations	10,599	5,154
Change in loss from discontinued operations, net of tax	-	9,898
Change in net loss	10,599	(4,744)
Change in other comprehensive income	858	3,652
Change in total comprehensive loss	11,457	(1,092)

Additionally to the restatement, described above, the following reclassifications have been made in the consolidated financial statements of the Group for the year ended December 31, 2008 to conform to the 2009 presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Restatements due to change in accounting policy and transfer of entities under common control (continued)**

Transfer of shares of NAC KazAtomProm JSC, House Construction Saving Bank of Kazakhstan JSC and other entities (continued)

The effect of these changes to the consolidated balance sheet of the Group as at December 31, 2008 is presented as follows:

<i>In millions of Tenge</i>	<i>Amount</i>
Reclassification of intangible assets on exploration and evaluation from property, plant and equipment to intangible assets	9,647
Reclassification of long-term financial assets to short-term financial assets	9,108
Reclassification of cash and cash equivalents to long-term bank deposits	2,372
Reclassification of cash and cash equivalents to short-term bank deposits	8,487
Reclassification of non-current provisions to long-term liability on benefits to employees	11,079

Also, in 2009 the Group has made certain reclassifications to the consolidated statement of comprehensive income for 2008. In 2009 the Group has reconsidered presentation of gains and losses in the consolidated statement of comprehensive income and determined that the most fair presentation will be ensured by the accounting of realized and unrealized income on derivatives on a net basis and their reclassification from revenue to the cost of sales. Effect to 2008 comparative data comprised decrease in income and cost of sales by 23,166 million Tenge for realized gains and 3,846 million Tenge for unrealized gains.

In addition, the Group accounted for certain reclassifications for 2008 with regard to performance results of discontinued operations disclosed in *Note 6*.

Consolidation

The consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries and joint ventures (*Note 41*).

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of entities, obtaining thus profit from its activities. Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. The financial statements of the subsidiaries are prepared for the same reporting period as the Fund, using consistent accounting policies. All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

Minority interests represent a portion of gains or losses and net assets in subsidiaries, which are not owned by the Group, and are recorded separately in equity in the consolidated balance sheet separately from parent share capital.

Investment in joint ventures and associates

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, the investment in joint venture/associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture/associate. Goodwill relating to the joint venture/associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Consolidation (continued)***Investment in joint ventures and associates (continued)*

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture / associate. Where there has been a change in net assets recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture / associate are eliminated to the extent of the interest in the joint venture/associate.

The share of profit of joint ventures/associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture/associate and therefore is profit after tax and minority interests in the subsidiaries of the joint ventures/associates.

The financial statements of the joint venture/associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures / associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture / associate and its carrying value and recognises the amount in the consolidated statement of comprehensive income.

Upon loss of significant influence over the joint venture / associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the joint venture / associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in profit or loss.

Business combinations

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill acquired in business combination is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control (under the Government's control) are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In a transactions where part of the interest in existing subsidiary is either sold or acquired, but change in control occurs, the differences between the carrying values of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Consolidation (continued)***Non-current assets classified as held for sale and distribution to the Shareholder and discontinued operations*

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, incomes and expenses from discontinued operations are reported separate from normal income and expenses, even when the Group retains a minority interest in the subsidiary after the sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment once classified as held for sale are not depreciated.

Mineral resources exploration and development assets (oil and gas and mining assets)*Expenditures for acquisition of subsurface use rights*

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at the stage of exploration and evaluation. Similar costs incurred before subsurface right was acquired shall also be capitalized as field subsurface use rights at the stage of exploration and evaluation in the presence of reasonable assurance that relevant right shall be obtained by the Fund's entity. Expenditures for acquisition of subsurface use rights are accounted for by fields. Each object is tested for impairment on the annual basis. If no future activity is planned, the remaining balance of the license costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), amortization ceases. Starting from the commercial production in fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on the total amount of proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to test wells; overburden operations; administrative and other expenses on evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within property, plant and equipment as construction-in-progress, accounting is kept by fields and amortization is not accrued. If mineral resources are not found, this could be the indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. If mineral resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas or mining assets)

Development and production expenditures comprise previously capitalized and reclassified in the beginning of production expenditures for acquisition of subsurface use rights and exploration and evaluation costs; for drilling of producing wells regardless of the drilling results; for construction of testing grounds; for development of ground technological constructions required for production, collection and preparation of mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells conservation and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and is accounted for by fields. Development and production expenditures are depreciated using a unit-of-production method as follows: (1) costs for acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves, (2) the remaining field development expenditures are depreciated over proved developed reserves. Certain oil and gas property (surface structures and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)*

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from the beginning of commercial production at fields. Certain oil and gas property (surface structures and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

Property, Plant and Equipment

On initial recognition, property, plant and equipment is measured at cost, or deemed cost in the case of some Group entities that had previously adopted IFRS for the first time. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Property, plant and equipment other than oil and gas assets principally comprise the following classes of assets which are depreciated on a straight-line basis over the expected useful lives:

Pipelines and refinery assets	4-100 years
Buildings and premises	5-100 years
Railway tracks and infrastructure	10-80 years
Mining assets	40 years
Machinery, equipment and vehicles	2-50 years
Other	3-35 years

When items of property, plant and equipment are subject to major inspection, the cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria set out in IAS 16 are satisfied.

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

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Indefinite-lived intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

Intangible assets include computer software, licenses and goodwill. A more detailed description of intangibles assets, for example details of their amortization methods are explained in *Note 8*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible Assets (continued)***Goodwill*

The excess of the cost of an acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the purchase is recorded as goodwill and recognized as an asset in the consolidated balance sheet.

After initial recognition, the Group measures goodwill acquired in a business combination at cost less any accumulated impairment losses.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and (b) recognizes immediately in profit or loss any excess remaining after that reassessment.

Impairment of Non-Financial Assets

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and a provision is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provisions may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment provision is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment provision was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment provision been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets.

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at December 31.

Associates

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial Assets**

The Group's investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments, as appropriate. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition. All purchases and sales of investments are recognised on the settlement date, which is the date that the investment is delivered to or by the Group.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profits and losses. Reversals of impairment losses in respect of equity instruments are not recognised in profits and losses. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profits and losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profits and losses to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profits and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Derivative Financial Instruments and Hedging**

In the course of its ordinary activity the Group with different derivative financial instruments, including futures, forwards, swaps and options at currency and capital markers, crude oil forward and swap contracts to hedge its risks associated with commodity prices fluctuations. Such derivative financial instruments are stated at fair value. Fair value is determined based on registered market quotations and pricing models that take into account spot price and strike price of the respective instruments and other factors. These financial instruments were entered into solely for hedging purposes and were not used for trading or other speculative purposes. Derivative financial instruments are accounted for as an asset (unrealised gain), when fair value is positive and as liability (unrealised loss), when fair value is negative. Gains and losses from operations with these instruments are recognized in the consolidated statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost or net realisable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable 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. The same cost formula is used for all inventories having a similar nature and use. Inventories of Oil and Gas operating segment are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than three months readily convertible to known amount of cash and subject to insignificant risk of change in value.

Loans and Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued financial instruments or their components are classified as borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government, amounts due to credit institutions, which are initially recognized at fair value of amounts obtained less costs directly attributable to the transaction. Subsequently obtained amounts are recognized at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Convertible Debt Instruments

The component of the convertible debt instrument that exhibits characteristics of a liability is recognized as a liability in the balance sheet, net of transaction costs. The fair value of the liability component is determined using a market rate for an equivalent non convertible bond; and this amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption.

Options on Remaining Minority Interest Arising on Business Combination

If, as a part of a business combination, the Group becomes a party to a put-option on remaining minority share in the acquired business, the Group assesses whether being a party to such option gives it access to benefits and risks associated with ownership of such minority share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Options on Remaining Minority Interest Arising on Business Combination (continued)**

When it is determined that the put-option on the remaining shares gives access to benefits and risks of ownership, the business combination is accounted for on the basis that the underlying shares subject to the put option have been acquired. Fair value of the liability to the minority shareholders under the put option is recognized as a part of the cost of the business combination. Any difference between that cost, and the share of the net assets that would otherwise have been regarded as being attributable to the minority interest, is reflected within goodwill. Any dividends subsequently declared and paid to such minority shareholders prior to the exercise of the option are charged directly to profits and losses.

The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any finance charges are recorded directly in consolidated statement of comprehensive income.

Options on Purchased Interest Arising on Acquisition of Investments

If when acquiring investments the Fund issues to a third party a call option on acquired interest in the business, the Fund assesses whether being a party to such option gives to a third access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a third party with access to benefit and risk of ownership of an interest, a call option is not accounted for the purposes of determination of Fund's significant influence. Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any income or loss related to the realization of these options are recorded directly in consolidated statement of comprehensive income.

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 when:

- 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; 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.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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 recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Leases (continued)***Finance leases*

The Group recognises finance leases as assets and liabilities in the consolidated balance sheet at amounts equal at the commencement of the lease term to the fair value of the leased property or, if lower, at 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 it; 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.

Provisions*Asset retirement obligation (decommissioning)*

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities on a unit-of-production basis.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- (a) changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- (b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the income statement; and
- (c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Allowance for bank letters of credit and guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement. The premium received is recognised in the profits and losses on a straight-line basis over the life of the guarantee.

Other 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions (continued)***Other provisions (continued)*

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee Benefits*Defined contribution scheme*

The Group withholds up to 10% from the salary of its employees as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit scheme

In accordance with the Labour Union Agreements and other benefit rules the Group provides certain benefits to its employees upon their retirement ("Defined Benefit Scheme").

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 "Employee benefits".

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 income statement, 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 defined benefit scheme is unfunded.

Equity*Share capital*

Ordinary shares are classified as equity. External 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. Any excess of the fair value of consideration received over the par value of shares issued is recognised as an increase in the retained earnings.

Minority interest

Minority interest represents the interest in subsidiaries not held by the Group. Minority interest at the reporting date represents the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiaries at the acquisition date and the minorities' portion of movements in equity since the date of the combination or formation. Minority interest is presented within the shareholders' equity. Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiaries unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Group.

Dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Equity (continued)***Share based payments*

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments of a subsidiary in which they are employed ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other equity reserves, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenue from the sale of crude oil, refined products, gas, uranium products and other goods is recognised when delivery has taken place and risks and rewards of ownership of the goods have passed to the customer.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognised by reference to the stage of completion of the transportation at the balance sheet date provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been initiated are recognised as "advances received from customers" when received. Advances received from customers approximating the estimated future revenues relating to initiated deliveries are transferred to deferred income under the "Other current liabilities" caption in the consolidated balance sheet. Deferred income is credited to earnings, as the service is provided.

Sales of air transportation tickets that result in award credits for customers, under the Group's customer loyalty program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue Recognition (continued)***Agency revenues from sale of royalty in-kind*

The Group acts as an agent of the Government of Kazakhstan, represented by its Ministry of Energy and Mineral Resources ("MEMR"), in trading crude oil received by MEMR from producers of crude oil as their payment for the royalty taxes in accordance with their respective profit sharing agreements ("PSA") and subsoil use agreements. The agency fee of the Group is defined as the difference between the selling price of crude oil received under this arrangement and a cost of such oil as defined in the respective PSA's subsoil use agreement negotiated by MEMR and producers. The agency fee is recognized as revenue when sales of crude oil take place.

Government Grants

Due to the fact that the Republic of Kazakhstan is a the sole shareholder of the Company, the Group analyses all transactions with the Government to assess in which transactions the Government acts primarily in its capacity of a shareholder.

If it is determined that in a specific transaction the Government acts in its capacity of a shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of a capital by a Shareholder.

If it is determined that in a specific transaction the Government does not act in its capacity of a shareholder such transactions is accounted for using provisions of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". In such circumstances, government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

Expense Recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on the accrual basis.

Income Tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the profits and losses except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Excess profit tax is treated as an income tax and forms part of the income tax expense. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the subsoil agreements, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsoil agreements, when certain internal rates of return are exceeded.

The internal rate of return is calculated based on the cash flows from each subsoil agreement, adjusted for the national inflation rate. Deferred tax is calculated with respect to both corporate income tax (CIT) and EPT. Deferred EPT is calculated on temporary differences for assets allocated to contracts for subsoil use at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income Tax (continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Value Added Tax (VAT)

The tax authorities permit the settlement of sales and purchases VAT on a net basis. Value added tax recoverable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

Related Parties

Related parties include the Group's Shareholder, key management personnel, associates and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

Subsequent Events

The results of post-year-end events that provide evidence of conditions that existed at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

Offsetting

Assets and liabilities are only offset and reported at the net amount in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of assets, liabilities, revenues, expenses and contingencies during the reporting period. Actual outcomes could differ from these 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:

Oil and Gas Reserves

Oil and gas reserves are a material factor in the Group's computation of DD&A. The Group estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (SPE). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their investment decisions, are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Oil and Gas Reserves (continued)**

All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The Group has included in proved reserves only those quantities that are expected to be produced during the initial license period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's license periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Asset Retirement Obligations

Under the terms of certain contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-productive wells and final closure activities such as removal of pipes, buildings, infrastructure and recultivation of the contract territories. Since the license terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each license period. If the asset retirement obligations were to be settled at the end of the economic life of the properties, the recorded obligation could increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective contracts and current legislation. Where neither contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the license term, no liability has been recognised. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

The Group reviews site restoration provisions at each balance sheet date, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration, and Similar Liabilities*. Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation at December 31, 2008 were in the ranges from 2.0% to 5.0% and from 6.3% to 12%, respectively (2008: from 2.0% to 5.5% and from 6.0% to 12%; 2007: from 2.0% to 6.0% and from 7.0% to 15.5%). Movements in the provision for asset retirement obligations are disclosed in *Note 23*.

Environmental Remediation

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Environmental Remediation (continued)**

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management's best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan. Pursuant to a memorandum of understanding ("MOU") signed by "KazMunayGas Exploration Production" JSC (further "KMG EP"), subsidiary of "National Company "KazMunayGas" JSC (further "NC KMG") is a 100% subsidiary of the Fund), with the Ministry of the Environment in July 2005, the KMG EP agreed to take responsibility for remediation of certain soil contamination and oil waste disposal which resulted from oil extraction dating back to the commencement of production. As at the date of these financial statements the scope and timing of the remediation plan has not been formally agreed with the Government. Accordingly, the liability has not been discounted. Because the original terms of the liability have not yet been established and management reasonably expects to execute the remediation plan over a period of up to ten years, the Group has classified this obligation as non-current except for the portion of costs expected to be incurred in 2010. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are detailed in *Note 45*. Movements in the provision for environmental remediation obligations are disclosed in *Note 23*.

Impairment of property, plant and equipment and goodwill

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets.

The determination of impairment of property, plant and equipment and goodwill involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate an impairment exists.

The recoverable amount is typically determined using a discounted cash flow method which incorporates reasonable assumptions specific to the Group. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any impairment of property, plant and equipment and goodwill.

In 2009 the Group recognized an impairment of property, plant and equipment for 13,526 million Tenge (2008: 3,680 million Tenge) and impairment of goodwill for 36,743 million Tenge (2008: 29,216 million Tenge) in the consolidated statement of comprehensive income (Notes 7 and 8).

Useful Lives of Items of Property, Plant and Equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Useful Lives of Items of Property, Plant and Equipment (continued)**

The agreement between Intergas Central Asia JSC with the Government described in *Note 45* is a concession arrangement scoped out of IFRIC 12 *Service Concession Arrangements* (because the grantor does not control the price at which the Group contracts with its major customers). Subsequently, additions or improvements to the assets managed and operated under the Agreement are capitalized and depreciated over an estimate of remaining useful life regardless of whether the term of the Agreement is shorter as the Government is obliged to acquire these assets at the net book value if the Agreement is not extended.

Deferred Tax Assets

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at December 31, 2009 was 44,219 million Tenge (2008: 13,558; 2007: 6,555). Further details are contained in *Note 40*.

Taxation

Taxable income is computed in accordance with the tax legislation enacted as of January 1, 2009. The Group accrues and pays corporate income tax (CIT) at a rate of 20% of taxable income in 2009. In November 2009 the Government of the Republic of Kazakhstan passed the legislation deferring the initially adopted gradual reduction of CIT rates in 2010 and 2011 down to 17.5% and 15%, respectively. According to the amendments introduced CIT rates will be reduced to 17.5% in 2013 and to 15% in 2014 onwards. The above legislation also deferred the initially adopted increase of the mineral extraction tax rates by 1% in 2010 and another 1% in 2011. As a result, the 2009 rates will remain in force through 2012, while the increase will take place in 2013 and 2014, respectively.

Deferred tax is calculated with respect to both CIT and EPT. Deferred CIT and EPT are calculated on temporary differences for assets and liabilities allocated to contracts for subsoil use at the expected rates that were enacted by the tax code of Kazakhstan as of December 31, 2009. Both deferred CIT and EPT bases are calculated under the terms of the tax legislation enacted in the above mentioned new tax code disclosed in *Note 40*.

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil agreements, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities. The provision for tax risks disclosed in *Note 23* relates mainly to the Group's application of Kazakhstan transfer pricing legislation to export sales of crude oil during the years 2002 to 2006. Further uncertainties related to taxation are detailed in *Note 45*.

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Group is required to recognise, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions. In 2009, the Group acquired interests in certain companies and at December 31, 2009, the Group has not completed the estimation of fair values of the identifiable assets and liabilities of some acquired businesses, and hence, recorded these acquisitions at their provisional amounts. Completion of the fair value determination in 2010 may result in significant adjustments to the reported amounts of identifiable assets, liabilities and contingent liabilities. More details are provided in *Note 5*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of consolidated financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****Employee Benefit Liability**

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost (*Note 24*). This involves the use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual material assistance, future annual minimum salary, future average railway ticket price).

Impairment losses on loans to customers and credit institutions

The Group reviews its individually significant loans to customers and credit institutions at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgement about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risks and the performance of different individual groups). The impairment loss on loans to customers and credit institutions is disclosed in more detail in *Note 10* and *Note 11*.

Allowances

The Group makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. At December 31, 2009, allowances for doubtful accounts have been created in the amount of 57,475 million Tenge (2008: 48,508 million Tenge). (*Notes 14 and 16*).

5. ACQUISITIONS*Acquisition of Alliance Bank JSC*

On February 1, 2009 the Fund and Seimar Alliance Financial Corporation ("SAFC"), controlling shareholder of Alliance Bank JSC ("Alliance Bank"), concluded a sales and purchase agreement for Alliance Bank. In accordance with the agreement the Fund has an option to acquire 76% of ordinary voting shares of Alliance Bank for a fixed consideration of 100 Tenge upon occurrence of all the following conditions:

- Amendments to certain laws and regulations of the Republic of Kazakhstan allowing the Fund's direct ownership of Alliance Bank;
- Placement by the Fund of a KZT 24 billion deposit with Alliance Bank;
- Approval of the acquisition by FMSA;
- Approval of the acquisition by the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies, if needed.

These conditions are either within control of the Fund or considered perfunctory.

On February 2, 2009 the Fund and Alliance Bank signed a bank deposit agreement for the placement of a KZT 24 billion deposit with Alliance Bank to support its financial stability and further capitalization. In addition, in February of 2009 the Fund and SAFC concluded an agreement to pledge 7,324,548 shares of Alliance Bank's issued and outstanding ordinary shares to the Fund. SAFC has no discretion to terminate the pledge agreement even upon repayment of the deposit. The agreement has resulted in a transfer of control over 76% voting rights to the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of Alliance Bank JSC (continued)*

Alliance Bank has defaulted on certain of its liabilities and has entered into negotiations with its creditors in order to restructure its liabilities. On July 6, 2009 the Bank entered into a memorandum of understanding with the creditors' steering committee with respect to the restructuring. On July 21, 2009 FMSA approved the indicative restructuring and recapitalization plan. The Fund's decision to exercise its option to acquire 76% of ordinary voting shares of Alliance Bank was subject to successful completion of the restructuring (Note 47).

As a result of the events discussed above the Fund obtained control over Alliance Bank. The transaction has been accounted for as a business combination using the purchase method of accounting.

The fair value of the identifiable assets and liabilities of Alliance Bank as at the date of acquisition and the corresponding IFRS carrying amounts immediately before the acquisition were as follows:

<i>In millions of Tenge</i>	Fair value* recognized on acquisition	Carrying value
Property, plant and equipment	28,610	32,553
Intangible assets	1,532	1,532
Loans to customers	372,409	435,264
Financial assets	167,826	189,638
Amounts due from credit institutions	44,357	44,357
Cash and cash equivalents	11,664	11,664
Other assets	11,572	11,572
Total assets	637,970	726,580
Loans	230,933	506,223
Loans from the Government of RK	19,074	19,434
Customers deposits	187,370	188,148
Provisions	136,972	136,972
Financial liabilities	54,751	97,255
Other current liabilities	8,870	8,870
Total liabilities	637,970	956,902
Net assets	–	–
Less: minority interest (24%)	–	–
Total net assets acquired	–	–
Goodwill arising from acquisition	–	–
Total consideration	–	–
Net cash acquired with the subsidiary	11,664	–
Cash paid	–	–
Net inflow of cash and cash equivalents	11,664	–

* Fair value of liabilities as of the date of acquisition was identified assuming the future debt restructuring (Note 47)

From the date of acquisition, Alliance Bank has contributed revenue of 89,123 million Tenge and a loss of 255,011 million Tenge for the period from continuing operations of the Group, respectively. If the combination had taken place at the beginning of the year, the net loss of the Group for the year ended December 31, 2009 would have been 627,769 million Tenge, and revenue for the year ended 31 December 2009 would have been 2,915,351 million Tenge.

On December 30, 2009 in accordance with the Law of the Republic of Kazakhstan "on Banks and Banking Activity" the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations ("FMSA") made an offer to the Government, and the Government, represented by the Fund, agreed to purchase a 100% share of all outstanding shares of Alliance Bank JSC for the consideration of 1 Tenge. As a part of the Alliance Bank JSC Shares Purchase Agreement the Fund has undertaken liabilities on additional bank's capitalization (Notes 45, 47).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of BTA Bank JSC*

On February 2, 2009 in accordance with the Law of the Republic of Kazakhstan on Banks and Banking Activity FMSA made an offer to the Government, and the Government, represented by the Fund, agreed to purchase a controlling stake in BTA Bank JSC. The purchase was carried out through the issue of an additional 25,246,343 shares at the price of 8,401 Tenge per share, for total consideration of 212,095 million Tenge, which provided the Fund with a 75.1% interest in the bank's capital.

The fair value of the identifiable assets and liabilities of BTA Bank as at the date of acquisition and the corresponding IFRS carrying amounts immediately before the acquisition were as follows:

<i>In millions of Tenge</i>	Fair value* recognized on acquisition	Carrying value
Property, plant and equipment	14,132	14,132
Intangible assets	49,306	37,420
Investments in associates	90,421	72,663
Loans to customers	1,571,188	1,571,188
Amounts due from credit institutions	73,619	66,427
Financial assets	237,077	177,080
Deferred tax asset	4,948	4,948
Other current assets	44,571	44,572
Obligatory reserves	62,152	62,152
Cash and cash equivalents	266,848	266,848
Total assets	2,414,262	2,317,430
Loans	825,966	1,836,916
Loans from the Government of RK	1,709	1,709
Customers deposits	859,950	841,062
Provisions	101,836	101,836
Financial liabilities	71,131	32,733
Deffered tax liability	4,366	-
Other current liabilities	34,201	34,200
Total liabilities	1,899,159	2,848,456
Less: minority interest at the level of BTA Bank	(14,420)	
Net assets	500,683	
Less: minority interest in subsidiaries (24.9%)	(124,670)	
Total net assets acquired	376,013	
Excess of net fair value of assets acquired over the total consideration	(163,918)	
Total consideration	212,095	
Net cash acquired with the subsidiary	266,848	
Cash paid	(212,095)	
Net inflow of cash and cash equivalents	54,753	

* Fair value of liabilities as of the date of acquisition was identified assuming the future debt restructuring (Note 47)

From the date of acquisition, BTA Bank has contributed revenue of 222,139 million Tenge and a loss of 728,625 million Tenge for the period from continuing operations of the Group, respectively. If the combination had taken place at the beginning of the year, the net loss of the Group for the year ended December 31, 2009 would have been 625,669 million Tenge, and revenue for the year ended December 31, 2009 would have been 2,948,801 million Tenge.

BTA Bank and Alliance Bank are the part of segment of financial institutions and development institutions (Note 46).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of Kazakhstan Petrochemical Industries JSC ("KPI")*

On February 26, 2009, NC KazMunaiGas JSC ("NC KMG"), the Group's subsidiary, has entered into agreement for acquisition of 50% shares of KPI for 4,840 million Tenge. KPI is engaged in production of petrochemical products (mainly, bitumen), thus currently KPI does not have production activities. Before the acquisition in 2009, the Group held 50% shares in KPI accounted for under equity method of accounting acquired for 3,967 million Tenge and fully impaired as of acquisition date in 2009. Accordingly, from the date of acquisition, the Group obtained control over KPI and it became a fully owned subsidiary of the Group. The acquisition of KPI was accounted for using the purchase method of accounting.

The fair values of the identifiable assets, liabilities and contingent liabilities of KPI as at the date of acquisition were:

<i>In millions of Tenge</i>	Fair value recognized on acquisition	Carrying value
Property, plant and equipment	10,259	10,259
Intangible assets	9	9
Inventories	150	150
Trade accounts receivable	414	414
Other current assets	63	63
Cash and cash equivalents	3	3
Total assets	10,898	10,898
Deferred income tax liabilities	1,830	1,830
Loans	110	110
Trade accounts payable	2,132	2,132
Other taxes payable	209	209
Other current liabilities	182	182
Total liabilities	4,463	4,463
Net assets	6,435	6,435
Total net assets acquired (50%)	3,218	
Goodwill arising from acquisition (<i>Note 8</i>)	1,622	
Total consideration	4,840	
Less: Net cash acquired with the subsidiary	(3)	
Net cash outflow	4,837	

Total acquisition cost comprises cash consideration of 4,840 million Tenge.

If the acquisition had taken place at the beginning of the year, the net loss from continuing operations and revenue of the Group would not have been changed significantly. From the date of acquisition, net loss of KPI attributable to the Group of 2,865 million Tenge was included in the consolidated statement of comprehensive income of the Group.

Goodwill, recognized at acquisition, relates to gains, which will be obtained from further development of petrochemical industry in Kazakhstan.

Acquisition of Kazakhstan Pipeline Ventures ("KPV") and Caspian Pipeline Ventures ("CPV")

On April 14, 2009 NC KMG signed an agreement on the acquisition of 49.9% interests in KPV and CPV from Amoco Kazakhstan Inc. (subsidiary of BP Corporation North America Inc.) and note receivable of Amoco Kazakhstan Inc. from CPV for a total consideration of 250 million US Dollars (equivalent to 37,708 million Tenge). KPV is a holding company with 1.75% interests in Caspian Pipeline Consortium ("CPC"). CPV is an intermediary company established for financing purposes. Both companies were established with the purpose of financing of CPC activities by NC KMG and Amoco Kazakhstan Inc. The financing of operations of CPC was funded by Amoco Kazakhstan Inc. by providing cash to CPV, which was transferred to KPV and further to CPC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of Kazakhstan Pipeline Ventures ("KPV") and Caspian Pipeline Ventures ("CPV") (continued)*

Before the acquisitions, the Group held 50.1% interests in KPV and CPV. However, due to the financing arrangements between NC KMG, CPC, KPV and CPV, the Group did not have right to the assets or obligations for the liabilities of KPV and CPV, other than 50% of 1.75% of share in CPC.

Accordingly, the acquisition of 49.9% interests in KPV and CPV and the settlement of a note payable by CPV to Amoco Kazakhstan Inc. were accounted for as acquisition of assets and associated liabilities.

Total acquisition cost of 250 million US Dollars is payable in three tranches. Accordingly, total consideration was discounted to a fair value of 228,679 thousand US Dollars (equivalent to 34,481 million Tenge). The note receivable from CPC is denominated in US Dollars and bear interests at 6% per annum. As of December 31, 2009, the carrying value of note receivable from CPC was 16,075 million Tenge.

The total consideration of 34,480 million Tenge was allocated between the assets acquired and associated liabilities assumed as follows:

<i>In millions of Tenge</i>	<i>Fair values recognized on acquisitions</i>
Investment in CPC	16,671
Note receivable from associate (CPC)	16,339
Other current assets	1
Cash and cash equivalents	6,674
Total assets	39,685
Taxes payable	861
Other current liabilities	4,344
Total liabilities	5,205
Net assets acquired	34,480

The Group has also accounted for step-by-step acquisition of share in associate within purchase of assets and liabilities of KPV and CPV, resulting in the increase in the share in CPC to 20.75%.

Cash outflow on acquisition:

<i>In millions of Tenge</i>	
Net cash acquired	6,675
Cash to be paid (on discounted basis)	(34,481)
Deferred cash payments for the note of Amoco Kazakhstan (on discounted basis)	11,532
Deferred cash payments for the shares in KPV and CPV (on discounted basis)	7,991
Net cash outflow	(8,283)

Net carrying amount on deferred payment for the shares in KPV and CPV amounted to 8,405 million Tenge as at December 31, 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of "Refinery Company RT" LLP*

On August 4, 2009, NC KMG acquired a 100% interest in "Refinery Company RT" LLP ("Refinery"). Refinery owns 58% of the charter capital of JSC "Pavlodar Oil Chemistry" ("PNHZ"). PNHZ is an oil refinery plant located in Kazakhstan. The remaining 42% of the charter capital of Pavlodar Oil Chemistry is owned by the Committee of a State Property and Privatization of Ministry of Finance of the Republic of Kazakhstan, which is owned by the Government.

The acquisition of Refinery was accounted for using the purchase method of accounting. As at December 31, 2009, NC KMG has not been able to complete a fair value exercise of its share in identifiable assets, liabilities and contingent liabilities acquired. The acquisition was accounted for using provisional fair values as of the date of acquisition.

The provisional fair values of the identifiable assets and liabilities and contingent liabilities of Refinery and the historical IFRS carrying value at the date of acquisition were:

<i>In millions of Tenge</i>	Provisional fair value recognized on acquisition	Current value
Property, plant and equipment	16,812	16,812
Intangible assets	25	25
Deferred income tax assets	83	83
Long-term VAT recoverable	1,984	1,984
Other long-term assets	2,184	2,184
Trade accounts receivable	331	331
Inventories	3,795	3,795
Income tax prepaid	124	124
Other current assets	271	271
Cash and cash equivalents	363	363
Total Assets	25,972	25,972
Trade payables	249	249
Advances received	2,768	2,768
Other taxes payable	303	303
Other current liabilities	547	547
Provisions	58	58
Total Liabilities	3,925	3,925
Net assets	22,047	
Less: minority interests in subsidiary of Refinery	(3,141)	
Acquired interest in net assets	18,906	
Provisional value of goodwill arising from acquisition (Note 8)	162,054	
Total consideration	180,960	

Total acquisition cost comprises cash consideration of 180,960 million Tenge.

Cash outflow on acquisition:

<i>In millions of Tenge</i>	
Net cash acquired with the subsidiary	363
Cash paid	(180,960)
Net cash outflow	(180,597)

Net profit of the Group for 2009 includes net losses attributable to Refinery's operations from the date of acquisition to December 31, 2009 of 442 million Tenge. If the combination had taken place at the beginning of the year the Group's revenue would have been 2,905,572 million Tenge. Refinery's contribution to an annual net loss of the Group would have been a net loss of 2,614 million Tenge (Note 47).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of "MangistauMunayGas" JSC ("MMG")*

On November 25, 2009, Mangistau Investments B.V. ("MIBV"), a 50% joint venture of NC KMG, acquired 100% of the shares of MMG for 2,606,462 thousand US Dollar (equivalent to 387,711 million Tenge). MMG is engaged in crude oil production in Western Kazakhstan. The acquisition was fully financed by a 3 billion US Dollar (equivalent to 446,250 million Tenge as of acquisition date) facility agreement concluded by MIBV with Export Import Bank of China, which is pledged with 100% of the MMG shares acquired.

The 50% interest in MIBV is accounted for under equity method in the consolidated financial statements of the Group. The acquisition of MMG was accounted under purchase method in the consolidated financial statements of MIBV.

As at December 31, 2009, MIBV has not completed a fair value exercise in the identifiable assets, liabilities and contingent liabilities acquired. The acquisition was accounted for using provisional fair values as of the date of acquisition.

Acquisition of minority interests in subsidiaries of Rompetrol Group N.V. ("TRG")

During 2009, the Group increased its ownership in the following subsidiaries:

- 1.01% in Rompetrol SA taking its ownership to 100%;
- 1.08% in Rompetrol Rafinare SA, taking its ownership to 76.39%;
- 30% in Rompetrol Ukraine LLC taking its ownership to 100%;
- 2% in Rompetrol Georgia LLC taking its ownership to 97%.

The total amount of cash consideration paid was 2,166 million Tenge. The book value of the net assets acquired at the acquisition date was 929 million Tenge. The difference of 1,237 million Tenge between the consideration and the book value of the net assets acquired has been charged to retained earnings.

Acquisition of Doszhan Temir Zholy JSC

On April 11, 2009 the Group acquired common shares of Doszhan Temir Zholy JSC ("Doszhan"). The purchase was carried out through the issue of an additional 3,090 shares at the price of 1,000 thousand Tenge per share, for a total consideration of 3,090 million Tenge, which provided the Fund with 85.87% interest in the share capital of Doszhan. Doszhan is engaged in construction of Shar-Ust-Kamenogorsk railway route. After completion of the construction the railway will be transferred to the Government, but maintenance and operation of the railway will remain with Doszhan under concession agreement. Before the acquisition, the Group held 49% shares in Doszhan accounted for as financial assets designated at fair value through profit and loss at 573 million Tenge as of acquisition date in 2009. From the date of acquisition, the Group obtained control over Doszhan and it became a subsidiary of the Group. Accordingly, the acquisition of Doszhan was accounted for as acquisition of assets and associated liabilities.

The total consideration of 3,090 million Tenge was allocated between the assets acquired and associated liabilities proportionally based on their relative fair values as follows:

<i>In millions of Tenge</i>	Fair values recognized on acquisition
Other non-current assets	34,038
Inventories	32
Trade accounts receivable	41
Other current assets	90
Cash and cash equivalents	3,092
Total assets	37,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisition of Doszhan Temir Zholy JSC (continued)*

<i>In millions of Tenge</i>	Fair values recognized on acquisition
Borrowings	25,815
Other non-current liabilities	266
Trade accounts payable	475
Other taxes payable	41
Other current liabilities	6,611
Total liabilities	33,208
Net assets	4,085
Less: minority interest	(508)
Less: Share in net assets previously held by the Group	(487)
Total net assets acquired	3,090

*Acquisitions in 2008**Acquisition of Batumi Industrial Holdings Limited ("BIHL")*

On September 12, 2007 the Group concluded an agreement for the acquisition of 100% of the common shares of BIHL from Terminal Partners Limited for 325 million US Dollars. BIHL is a holding company with 50% stake in BCPL, 38.12% stake in Batumi Terminal Limited ("BTL") 100% stake in Port Capital Partners and 100% stake in Batumi Services. The Group paid consideration of 325 million US Dollars (equivalent to 39,062 million Tenge) on February 5, 2008, the acquisition date. The acquisition has been accounted for using the purchase method of accounting.

The fair value of the identifiable assets, liabilities and contingent liabilities attributable to 100% interest acquired in BIHL and the current IFRS carrying value as at the date of acquisition were:

<i>In millions of Tenge</i>	Fair values* recognized on acquisition	Carrying value*
Property, plant and equipment	29,273	22,299
Inventories	522	522
Trade accounts receivable	3,199	3,199
Other taxes recoverable	701	701
Cash and cash equivalents	1,343	1,343
Total assets	35,038	28,064
Loans and borrowings	2,856	2,856
Deferred income tax liabilities	780	780
Other non-current liabilities	1,156	1,156
Accounts payables	687	687
Taxes payable	542	542
Current financial liabilities	1,646	1,646
Total liabilities	7,667	7,667
Acquired interest in net assets	27,371	
Less: investments in BCPL	(8,013)	
Total consideration	19,358	
Goodwill arising from acquisition (Note 8)	19,704	
Consideration paid in cash	39,062	
Less: net cash acquired with the subsidiary	(1,343)	
Net cash outflow	37,719	

* information was restated due to changes in the accounting policy as related to accounting of shares in joint ventures (Note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. ACQUISITIONS (continued)***Acquisitions in 2008 (continued)**Acquisition of Batumi Industrial Holdings Limited ("BIHL") (continued)*

The goodwill recognized on BIHL acquisition is attributed to the expected synergies and other benefits from combining the assets and activities of BIHL with those of NC KMG.

The valuation of property, plant and equipment was performed by an independent professional appraiser. The basis used for the appraisal was replacement cost.

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER*Sale of Mobile Telecom-Service LLP ("MTS")*

On December 14, 2009 Kazakhtelecom LLP ("Kazakhtelecom"), the Group's subsidiary, concluded an agreement to sell its shares in the subsidiary Mobile Telecom-Service LLP to Tele2 Sverige AB, a Swedish mobile operator. The sales-purchase agreement contains certain conditions, which should be fulfilled before the transaction is considered final. In accordance with the sales-purchase agreement, the transaction is to be closed by March 31, 2010. Accordingly, as at December 31, 2009, Mobile Telecom-Service LLP was classified as a disposal group held for sale and as a discontinued operation.

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)*Sale of Mobile Telecom-Service LLP ("MTS") (continued)*

The results of Mobile Telecom-Service LLP for the year are presented below:

<i>In millions of Tenge</i>	2009	2008
Revenue	4,759	3,836
Cost of revenue	(4,190)	(4,656)
Gross revenue /(loss)	569	(820)
General and administrative expenses	(546)	(610)
Selling expenses	(841)	(1,435)
Operating loss	(818)	(2,865)
Finance costs	(887)	(978)
Finance income	41	59
Foreign exchange (loss) / gain	(3,518)	383
Other (loss) / income	(52)	160
Loss before tax from a discontinued operation	(5,234)	(3,241)
Corporate income tax benefit	164	2,827
Loss for the year from a discontinued operation	(5,070)	(414)

The major classes of assets and liabilities of Mobile Telecom-Service LLP classified as held for sale are as follows:

<i>In millions of Tenge</i>	2009
Assets	
Property plant and equipment (Note 7)	14,427
Intangible assets (Note 8)	21,459
VAT recoverable	1,636
Cash and cash equivalents	486
Other	759
Assets classified as held for sale	38,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)***Sale of Mobile Telecom-Service LLP ("MTS") (continued)*

<i>In millions of Tenge</i>	2009
Liabilities	
Loans	19,626
Trade accounts payable	2,801
Deferred tax liability (Note 40)	2,258
Other	899
Liabilities related to the assets classified as held for sale	25,584
Net assets directly associated with disposal group	13,183

The net cash flows incurred by Mobile Telecom-Service LLP are as follows:

<i>In millions of Tenge</i>	2009	2008
Operating	(313)	(1,160)
Investing	(24)	(4,391)
Financing	(561)	5,402
Net cash outflow	(898)	(149)

Earnings per share:

<i>In thousands of Tenge</i>	2009	2008
Basic and diluted, from discontinued operation	(556)	(37)

In 2009 Kazakhtelecom has received a notification from the State property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan (the "Committee") on termination of sale-purchase agreement in accordance with the contractual terms and return of 18.6% share in Nursat JSC, previously acquired by subsidiary (Mobile Telecom Service LLP) from the Committee.

Assets classified as held-for-sale

On September 4, 2009, Samruk-Energy JSC ("Samruk-Energy"), the Group's subsidiary, has entered into shares sale-purchase agreement with Korea Electric Power Corporation ("KEPCo") and Samsung C&T Corporation ("Samsung C&T Co"), according to which Samruk-Energy shall sell 75% minus one share to Balkhash HPP. Management of Samruk-Energy came to a conclusion that the realization of the abovementioned share shall result in the loss of control over Balkhash HPP. Accordingly, assets and liabilities of Balkhash HPP were classified as disposal group in the Group's consolidated statement of financial position as at December 31, 2009. Sale of the abovementioned share in Balkhash HPP is expected to be finalized in 2010.

The major categories of assets and liabilities of disposal group classified as held for sale are as follows:

<i>In millions of Tenge</i>	2009	2008
Assets		
Property, plant and equipment (Note 7)	1,212	-
VAT recoverable	1	-
Cash and cash equivalents	99	-
Other	2,534	-
Assets classified as held for sale	3,846	-
Liabilities		
Other	35	-
Liabilities related to the assets classified as held for sale	35	-
Net assets directly associated with disposal group	3,811	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)***Assets classified as held for distribution to the shareholder*

In 2009, in accordance with the resolution of the Government of the Republic of Kazakhstan No.1099 dated July 20, 2009, No.2123 dated December 15, 2009, the Fund initiated and started to implement procedures of disposal of the following subsidiaries to the Government:

- SPK SaryArka JSC ("SaryArka")
- SPK Ertis JSC ("Ertis")
- SPK Ontustik JSC ("Ontustik")
- SPK Zhetisu JSC ("Zhetisu")
- SPK Tobol JSC ("Tobol")
- SPK Caspiy JSC ("Caspiy")
- SPK Batys JSC ("Batys")
- National Innovation Fund JSC ("National Innovation Fund")
- Corporation for Export Development and Promotion KazNEX JSC ("KazNex")

In August 2009 in accordance with the Regulation of the Government No. 1100 dated July 20, 2009, the Fund has transferred 100% shares (282.877 shares) of Corporation for Export Development and Promotion KazNEX JSC to the Government in exchange to 11.3% state-owned stake of Kazakhstan Mortgage Guarantee Fund. Disposal of net assets of KazNEX at the amount of 583 million Tenge was accounted for as other distribution to the Shareholder as a credit to retained earnings.

Due to the transfer in 2009 of SPK shareholdings, owned by the Fund, to the fiduciary management to the State property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan (the "Committee") and decrease in the Fund's shareholding as a result of additional investments made by the Committee, during 2009 the Fund has lost control over the following SPKs: Caspiy, Zhetisu, Ontustik, Ertis, Tobol. Share in SPK net assets as at the date when control was lost was recognized as the cost of investments to associates.

Owing to the expected disposal of investments to the abovementioned subsidiaries and associates, these investments were recognized as assets classified as held for distribution to the shareholder as at December 31, 2009.

According to the Regulation of the Government No. 2123 dated December 15, 2009, the Fund and the State property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan has entered into exchange contract. In accordance with exchange contract, the Fund shall transfer the shares of SPKs to the Committee in exchange to state-owned stakes in Pavlodar Oil Chemistry JSC (42%, "PNHZ"), Kazakh-British Technical University JSC (1.67%, "KBTU"), Karagandagiproshakht LLP (90%), real estate and other property. On March 10, 2009, the Fund has transferred SPK shares to the Government and obtained PNHZ and KBTU shares.

The results of operations of entities disposed to the Shareholder for the years ended December 31 were as follows:

<i>In millions of Tenge</i>	2009	2008
Revenue	5,058	4,347
Cost of sales	(3,367)	(6,003)
General and administrative expenses	(3,781)	(4,893)
Other income / (expense)	1,885	(3,094)
Loss before income tax for the period from discontinued operation	(205)	(9,643)
Income tax expense	(661)	(255)
Loss for the period from a discontinued operation	(866)	(9,898)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)***Assets classified as held for distribution to the shareholder (continued)*

The major groups of assets and liabilities of entities disposed as at December 31 were as follows:

<i>In millions of Tenge</i>	2009	As at the date of transfer to the assets held for sale
Assets		
Property, plant and equipment	11,734	22,052
Intangible assets	86	254
Investments in joint ventures and associates	26,282	–
Other non-current assets	10,294	29,146
VAT recoverable	760	1,607
Other current assets	12,262	13,528
Cash and cash equivalents	14,964	22,870
Assets classified as held for distribution to the Shareholder	76,382	89,457
Liabilities		
Borrowings	19	(55)
Other non-current liabilities	220	(1,125)
Other current liabilities	557	(2,930)
Liabilities directly associated with assets classified as disposal group held for distribution	796	(4,110)
Net assets directly associated with disposal group held for distribution to the Shareholder	75,586	85,347

The net cash flows incurred by entities disposed to the Shareholder for the years ended December 31 was as follows:

<i>In millions of Tenge</i>	2009	2008
Cash outflow from operating activities	(12,268)	(8,588)
Cash outflow from investing activities	(3,103)	(1,445)
Cash inflow from financing activities	26,072	12,962
Net cash inflow	10,701	2,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. PROPERTY, PLANT AND EQUIPMENT**

<i>In millions of Tenge</i>	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery products	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Capital work in progress	Total
Net book value as at January 1, 2008	448,439	43,872	491,994	271,763	367,761	670,445	7,170	28,255	181,007	2,510,706
Foreign currency translation	2,088	229	578	200	-	(6)	-	55	84	3,228
Additions	69,116	18,625	1,272	19,942	506	73,017	3,814	13,033	335,121	534,446
Acquisition of additional interest in North Caspian Project	263,477	17,341	-	-	-	-	-	-	-	280,818
Acquisitions through business combinations (Note 5)	1,060	-	504	7,566	-	6,368	-	13,595	27	29,120
Disposals	(5,784)	-	(5,965)	(14,398)	(6,977)	(17,040)	-	(6,627)	(5,225)	(62,016)
Depreciation charge	(27,373)	-	(26,822)	(14,236)	(15,609)	(83,108)	(2,650)	(7,541)	-	(177,339)
Depreciation on disposals	1,537	-	3,589	1,126	4,909	9,645	-	1,156	69	22,031
Impairment provision) / reversal of impairment provision, net	(124)	-	(216)	(5,679)	-	443	-	(562)	2,458	(3,680)
Transfers from assets classified as held for sale	96	-	-	7,887	-	697	-	355	-	9,035
Transfers and reclassifications	35,629	(4,971)	33,292	54,464	23,138	146,672	4,971	5,172	(298,367)	-
Net book value at December 31, 2008 (restated)	788,161	75,096	498,226	328,635	373,728	807,133	13,305	46,891	215,174	3,146,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery products	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Capital work in progress	Total
<i>In millions of Tenge</i>										
Net book value at December 31, 2008 (restated)	788,161	75,096	498,226	328,635	373,728	807,133	13,305	46,891	215,174	3,146,349
Foreign currency translation	129,160	12,982	55,090	17,965	-	8,690	-	2,442	7,322	233,651
Additions	193,302	20,886	5,688	14,092	220	92,815	9,017	9,538	271,963	617,521
Acquisitions through business combinations (Note 5)	-	-	15,589	24,087	-	7,943	-	17,692	36,278	101,589
Disposals	(6,388)	-	(806)	(11,110)	(6,392)	(14,044)	-	(5,019)	(5,621)	(49,380)
Depreciation charge	(26,641)	(319)	(30,695)	(18,528)	(13,663)	(94,583)	(3,208)	(15,245)	-	(202,882)
Depreciation on disposals	2,916	-	346	1,811	2,291	8,836	-	1,337	-	17,537
Impairment provision) / reversal of impairment provision, net	(456)	(13)	(267)	(12,711)	-	5,059	(16)	(1,238)	(3,884)	(13,526)
Loss of control over subsidiary (Note 33)	-	-	(4,615)	(174)	-	(388)	-	(173)	(1,103)	(6,453)
Transfers to assets classified as held for sale (Note 6)	-	-	-	(11,721)	(233)	(11,252)	-	(1,455)	(13,071)	(37,732)
Transfers to intangible assets	(4,841)	-	-	-	-	(4)	-	(82)	(28,745)	(33,672)
Transfers and reclassifications	34,036	1,643	41,598	64,921	17,583	91,882	(1,643)	9,666	(259,686)	-
Net book value at December 31, 2009	1,109,249	110,275	580,154	397,267	373,534	902,087	17,455	64,354	218,627	3,773,002
Historical cost	1,260,166	110,607	669,125	467,481	427,915	1,323,380	28,664	101,340	225,149	4,613,827
Accumulated depreciation and impairment	(150,917)	(332)	(88,971)	(70,214)	(54,381)	(421,293)	(11,209)	(36,986)	(6,522)	(840,825)
Net book value at December 31, 2009	1,109,249	110,275	580,154	397,267	373,534	902,087	17,455	64,354	218,627	3,773,002
Historical cost	943,067	75,096	550,924	381,719	416,614	1,173,188	21,348	85,241	219,551	3,866,748
Accumulated depreciation and impairment	(154,906)	-	(52,698)	(53,084)	(42,886)	(366,055)	(8,043)	(38,350)	(4,377)	(720,399)
Net book value at December 31, 2008 (restated)	788,161	75,096	498,226	328,635	373,728	807,133	13,305	46,891	215,174	3,146,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. PROPERTY, PLANT AND EQUIPMENT (continued)**

Movement of exploration and evaluation assets is presented as follows:

<i>In millions of Tenge</i>	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2008	40,763	3,109	43,872
Foreign currency translation	229	–	229
Additions	16,326	2,300	18,626
Acquisitions through business combinations (Note 5)	17,340	–	17,340
Transfers and reclassifications		(4,971)	(4,971)
Net book value at December 31, 2008 (restated)	74,658	438	75,096
Foreign currency translation	12,982	–	12,982
Additions	18,857	2,029	20,886
Depreciation charge	–	(319)	(319)
(Impairment) / reversal of impairment provision, net	–	(13)	(13)
Transfers and reclassifications		1,643	1,643
Net book value at December 31, 2009	106,497	3,778	110,275
Historical cost	106,497	4,110	110,607
Accumulated depreciation and impairment	–	(332)	(332)
Net book value at December 31, 2009	106,497	3,778	110,275

As at December 31, 2009 certain items of property, plant and equipment with net book value of 103,481 million Tenge (2008: 158,246 million Tenge) were pledged as collateral for some of the Group's borrowings.

As at December 31, 2009 the carrying amount of property, plant and equipment acquired under finance lease agreements, included in property, plant and equipment category was 36,512 million Tenge (2008: 32,965 million Tenge, 2007: 26,968 million Tenge).

At December 31, 2009 the cost of fully amortised property, plant and equipment of the Group was 218,378 million Tenge (2008: 154,511 million Tenge; 2007: 106,206 million Tenge).

In 2009, the Group capitalized borrowing costs at the average capitalization rate of 4.38% in the amount of 3,213 million Tenge (2008: 4,468 million Tenge).

Impairment of property, plant and equipment

In 2009, the Group recognized impairment provision of 13,526 million Tenge, that is mainly attributable to impairment of property, plant and equipment of Trade House KazMunayGas JSC ("TH KMG", 100% subsidiary of NC KMG) for a total amount of 9,017 million Tenge and Alliance Bank for a total amount of 6,365 million Tenge.

As at December 31, 2009, NC KMG performed the impairment test of the property, plant and equipment engaged in the retail sales of refined products in Kazakhstan and a recreational center Akbulak located in the Almaty region which resulted in a recognition of an impairment loss of 5,176 million Tenge and 1,753 million Tenge, respectively. The recoverable amounts were based on value in use and were determined at the level of the cash generating units. The cash-generating units consisted of the assets engaged in the retail sales of refined products and Akbulak recreational facilities, respectively. In determining value in use for the cash generating units, the cash flows were discounted at a rate of 22.4% on a pre-tax basis (2008: 24.9%).

In addition in 2009 NC KMG recognized an impairment of 2,088 million Tenge relating to a land in Dyneff France (a wholly-owned subsidiary of TRG), based on a reassessment of the land carrying value related to a depot site that is scheduled for decommissioning in 2014.

Recoverable amount of Alliance Bank property, plant and equipment was determined based on the market approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)*Reversal of impairment provision*

Samruk-Energy management evaluated the recoverable amount of non-financial assets based on evaluation of estimated future cash inflows and outflows from utilisation of assets, discount rate and other factors. Based on this evaluation Samruk-Energy concluded that an impairment loss recognized in prior periods for assets of Alatau Zharyk Company JSC and Aktobe TETs JSC (Samruk-Energy subsidiaries) did not exist any longer. Accordingly, in 2009 Samruk-Energy recognized income from impairment loss recovery in the amount of 5,414 million Tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INTANGIBLE ASSETS**

<i>In millions of Tenge</i>	Licenses	Software	Goodwill	Marketing related intangible assets	Subsurface use rights	Other	Total
Net book value at January 1, 2008	29,863	16,765	38,332	22,367	6,851	13,912	128,090
Foreign currency translation	14	4	699	61	-	47	825
Additions	3,622	7,165	-	-	3,225	5,625	19,637
Acquisitions through business combinations (Note 5)	-	-	19,704	-	-	-	19,704
Disposals	(89)	(313)	-	-	(364)	(912)	(1,678)
Amortization charge	(2,110)	(4,097)	-	(146)	(65)	(4,941)	(11,359)
Accumulated amortization on disposals	81	196	-	-	-	7	284
Impairment provision	(4,080)	-	(29,216)	-	-	-	(33,296)
Transfers form assets classified as held-for-sale	-	-	-	-	-	2,906	2,906
Net book value at December 31, 2008 (restated)	27,301	19,720	29,519	22,282	9,647	16,644	125,113
Foreign currency translation	-	233	7,127	5,096	-	3,328	15,784
Additions	377	7,020	5	27	3,591	5,343	16,363
Acquisitions through business combinations (Note 5)	-	1,560	201,558	-	-	11,896	215,014
Disposals	(726)	(606)	(156)	-	(3,833)	(259)	(5,580)
Transfers to assets classified as held for sale (Note 6)	-	(93)	-	-	-	(17)	(110)
Amortization charge	(2,697)	(6,200)	-	(197)	(55)	(3,156)	(12,305)
Accumulated amortization on disposals	516	233	-	-	-	23	772
Impairment provision	-	-	(36,743)	-	-	-	(36,743)
Transfers form property, plant and equipment	26,583	2,296	-	-	-	4,793	33,672
Transfers to assets classified as held-for-sale (Note 6)	(18,660)	(2,860)	-	-	-	(192)	(21,712)
Transfers and adjustments	-	1,735	-	-	-	(1,735)	-
Net book value at December 31, 2009	32,694	23,038	201,310	27,208	9,350	36,668	330,268
Historical cost	44,114	42,506	276,433	27,563	9,404	53,682	453,702
Accumulated amortization and impairment	(11,420)	(19,468)	(75,123)	(355)	(54)	(17,014)	(123,434)
Net book value at December 31, 2009	32,694	23,038	201,310	27,208	9,350	36,668	330,268
Historical cost	36,875	32,705	54,775	22,440	9,712	30,543	187,050
Accumulated amortization and impairment	(9,574)	(12,985)	(25,256)	(158)	(65)	(13,899)	(61,937)
Net book value at December 31, 2008 (restated)	27,301	19,720	29,519	22,282	9,647	16,644	125,113

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INTANGIBLE ASSETS (continued)**

Licenses mainly comprise of licenses in the telecommunication sector acquired by "Kazakhtelecom" JSC (further "Kazakhtelecom") and capitalized costs of licenses to explore natural resources acquired by NC KMG and KazAtomProm. Licenses are amortised on a straight line basis over the term of the license, which range from 3 to 20 years.

Software includes costs of purchased applications used in operations of the Group, which mainly relate to accounting software. Software is amortized on a straight line basis based on the expected useful life of the software or the term defined by relevant license, which range from 1 to 14 years.

As at December 31, 2009, the subsurface use rights comprise the net book value of oil and gas and mining exploration and evaluation assets in the amount of 8,365 million Tenge and 985 million Tenge, respectively (2008: 6,996 million Tenge and 2,651 million Tenge; 2007: 4,966 million Tenge and 1,885 million Tenge, respectively).

Impairment testing of goodwill

Carrying amount of goodwill as at December 31 is allocated to each of the group of cash-generating units as follows:

Cash-generating units	2009	2008
Refining and petrochemistry	196,632	27,369
Oil terminal and sea port	2,370	2,150
<i>Total oil and gas</i>	<i>199,002</i>	<i>29,519</i>
Corporate business	1,031	–
Retail business	810	–
<i>Total financial institutions and innovation institutions</i>	<i>1,841</i>	<i>–</i>
Total other	467	–
Total goodwill	201,310	29,519

Goodwill impairment losses recognised in the statement of comprehensive income are as follows:

Cash-generating units	2009	2008
Financial institutions and innovation institutions	35,436	–
Oil and gas	1,307	23,553
Other	–	5,663
	36,743	29,216

Key assumptions used in calculation of goodwill recoverable amount

The recoverable amount of goodwill has been determined based on the accounting policies described in Note 3.

The Group uses the following rates and periods for calculation of goodwill recoverable amounts for oil and gas segment:

	Petrochemistry and refining		Oil terminal and sea port	
	2009	2008	2009	2008
Discount rate	8.8%–11.5%	7.8–11.2%	19.11%	19.11%
Anticipated growth rate	1.5%	1.5%	–	–
Period, years	5	5	10	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INTANGIBLE ASSETS (continued)****Impairment testing of goodwill (continued)**

Key assumptions used in calculation of goodwill recoverable amount (continued)

The Group uses the following rates and periods for calculation of goodwill recoverable amounts for financial institutions and innovation institutions segment:

	Corporate business		Retail business	
	2009	2008	2009	2008
Discount rate	13.96%	12.66%	13.96%	12.66%
Anticipated growth rate	5%	2%	5%	2%
Period, years	5	5	5	5

Key assumptions used in calculation of recoverable amount for oil and gas segment, are as follows:

- Gross profit;
- Discount rate;
- Anticipated growth rates used to extrapolate cash flows during the planning period.

Gross profit

Gross profit is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

Discount rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on calculation of a weighted average cost of capital. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Anticipated growth rates

Growth rates are based on published industry researches.

Sensitivity to changes in assumptions

With respect to the assessment of the recoverable amount for cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, except for the following cash generating units: Petrochemistry and refining, and Oil terminal and sea port. As at December 31, 2009, the recoverable amount approximated to their carrying amount, which means that any adverse changes in key assumptions could have caused an impairment loss to be recognised for these units.

Key assumptions used in calculation of recoverable amount for financial institutions and innovation institutions segment, are as follows:

- Interest margin;
- Discount rate;
- Market share during the planning period;
- Current value of gross domestic product (GDP) of the country where activities are performed;
- Rate of inflation in the country where activities are performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8. INTANGIBLE ASSETS (continued)****Impairment testing of goodwill (continued)***Interest income*

Interest margin is based on effective interest rates charged in 2009. These values are increased during the planning period together with anticipated rate of inflation.

Discount rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on calculation of a weighted average cost of capital. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Market share assumptions

These assumptions are critical, since together with the use of data on industry growth rates, the management considers possible change of the position of a unit in comparison with its competitors during the planning period. Management assumes that segment share in the area of assets management and banking services for legal entities and individuals, including customers' deposits, during the planning period will be stable.

Anticipated growth rates, GDP and rate of inflation of the country where activities are performed

Assumptions are based on published industry researches.

Sensitivity to changes in assumptions

Management believes that possible changes in key assumptions used to determine segments recoverable amount could not result in further impairment of goodwill.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following as at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Joint ventures:			
TengizChevroil LLP	227,760	196,671	184,314
KazGerMunay LLP	104,718	102,455	97,819
KazRosGas JSC	91,610	40,707	21,564
Forum Muider BV	40,026	41,972	–
Kazakhoil-Aktobe LLP	37,231	34,777	32,454
Valseira Holdings B.V.	17,576	17,611	19,282
Ekibastuzskaya GRES-2	14,755	15,121	12,990
Other	30,508	22,605	23,494
	564,184	471,919	391,917
Associates:			
PetroKazakhstan Inc. ("PKI")	118,989	109,798	134,792
Halyk Bank JSC	101,960	–	–
Kazkommertsbank JSC	95,545	–	–
Sekerbank	76,839	–	–
GSM Kazakhstan LLP ("GSM")	48,131	44,604	37,829
Caspian Pipeline Consortium LLC	16,285	–	–
JV KATCO LLP	14,206	5,149	2,980
Other	64,429	29,977	24,188
Less: Impairment	(6,516)	(5,348)	–
	529,868	184,180	199,789
	1,094,052	656,099	591,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

Ownership in joint ventures and subsidiaries as at December 31, 2009 are as follows:

Company	% in share capital		
	2009	2008	2007
Joint ventures:			
TengizChevroil LLP	20.00%	20.00%	20.00%
KazGerMunay LLP	50.00%	50.00%	50.00%
KazRosGas JSC	50.00%	50.00%	50.00%
Forum Muider BV	50.00%	50.00%	—
Kazakhoil-Aktobe LLP	50.00%	50.00%	50.00%
Valseira Holdings B.V.	50.00%	50.00%	50.00%
Ekibastuzskaya GRES-2	50.00%	50.00%	50.00%
	—	—	—
	—	—	—
Associates:			
PetroKazakhstan Inc. ("PKI")	33.00%	33.00%	33.00%
Halyk Bank JSC	26.81%	—	—
Kazkommertsbank JSC	18.30%	—	—
Sekerbank	33.98%	—	—
GSM Kazakhstan LLP («GSM»)	49.00%	49.00%	49.00%
Caspian Pipeline Consortium LLC	20.75%	—	—
JV KATCO LLP	49.00%	49.00%	49.00%

33% interest in PetroKazakhstan Inc. ("PKI") was pledged as collateral for a loan, which was obtained for its acquisition. However, the pledged shares may not be exercised within the first 7 years of the financing from the acquisition date (July 4, 2006).

On December 4, 2009, PKI declared another 300 million US dollars dividend, which was unpaid as of December 31, 2009. KMG's share in dividends receivable was 99 million US dollars equivalent to 14,688 million Tenge as at December 31, 2009.

Under the Stabilization Plan during 2009 the Fund made the following acquisitions of shares of the second tier banks:

- On May 14, 2009 the Fund acquired 165,517,241 ordinary shares of JSC Kazkommertsbank at the price of 217.5 Tenge per share that resulted in 36,000 million Tenge invested to the bank's equity;
- On March 27 and March 29, 2009 the Fund acquired 259,064,909 ordinary shares and 196,232,499 preferred shares of JSC Halyk Bank at the price of 104.03 Tenge per share and 168.42 Tenge per share, respectively, that resulted in 60,000 million Tenge invested to the bank's equity.

The purchases were carried out through additional emission and the share of the Fund in the total number of ordinary shares of Kazkommertsbank JSC and Halyk Bank JSC as at acquisition date amounted to 21.28% and 20.97%, respectively. Part of the shares of Kazkommertsbank JSC acquired by the Fund were subsequently transferred to the shareholders of Kazkommertsbank JSC under trust management.

As a part of purchase of Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC, the Fund obtained call and put options to sell purchased share realized in a period from 2 to 5 years as from the acquisition date. As at the acquisition date the fair value of 12,346 million Tenge for Kazkommertsbank JSC and 24,071 million Tenge for Halyk Bank of Kazakhstan JSC, and was recognized as a part of the cost of investments. As at December 31, 2009, fair value of these options amounted to 130,541 million Tenge.

As at December 31, 2009 Sekerbank represented an associate acquired in 2009 by BTA Bank JSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

Movements in investments in joint ventures and associates are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
Balance as at January 1	656,099	591,706
Share of income of associates and joint ventures	278,838	266,669
Dividends received	(162,100)	(235,749)
Acquisitions (Note 5)	236,314	52,729
Foreign currency translation	87,396	(2,296)
Disposals	(733)	(11,919)
Transfers to assets classified as held for sale (Note 6)	(914)	-
Share in other comprehensive income	996	307
Impairment	(1,844)	(5,348)
Balance as at December 31	1,094,052	656,099

In 2009 and 2008 the Group recognised the impairment loss of 1,167 million Tenge and 5,348 million Tenge, respectively represented the write-off of investments in "Astana Finance" JSC (further "Astana Finance") to the recoverable amount. Impairment has been recognized in the statement of comprehensive income. The recoverable amount was based on the Group's share in the net assets of Astana Finance as at December 31, 2009 and 2008.

The following tables illustrate summarized information of the Group's investment in joint ventures and associates at December 31 (Group's proportional share):

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Total assets and liabilities of joint ventures and associates at December 31			
Total assets	3,411,009	1,284,661	1,094,438
Total liabilities	(2,319,297)	(628,562)	(502,754)
Net assets	1,091,712	656,099	591,684

<i>In millions of Tenge</i>	2009	2008 (restated)
Total revenue and net profit in joint ventures and associates for the year		
Revenue	1,060,180	862,767
Net profit	278,838	266,669

As at December 31, 2009 the Group's share in unrecognized accumulated losses of joint ventures and associates amounted to 98,849 million Tenge (2008: 42,804 million Tenge; 2007: 35,117 million Tenge).

10. LOANS TO CUSTOMERS

As at December 31 loans to customers comprised:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Loans to large entities	1,724,292	185,648	71,542
Finance leasing	21,190	18,080	11,545
Loans to small and medium business	242,926	6,450	19,683
Loans to individuals	663,388	36,885	10,080
Other loans	16,094	8,149	4,577
Total loans	2,667,890	255,212	117,427
Less: Impairment provision	(1,167,076)	(28,634)	(11,710)
Loans to customers, net	1,500,814	226,578	105,717
Less: current portion	347,755	23,383	7,729
Non-current portion	1,153,059	203,195	97,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. LOANS TO CUSTOMERS (continued)**

Movements in the loan impairment allowance were as follows for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
Allowance at January 1	28,634	11,710
Charged	930,624	22,837
Transferred to assets classified as held for sale	(5,278)	-
Written-off	(68,864)	(5,923)
Recovered	2,968	-
Foreign currency translation	282,274	10
Discontinued operations	(3,282)	-
Allowance at December 31	1,167,076	28,634

The following table provides information on the credit quality of the loan portfolio at December 31:

<i>In millions of Tenge</i>	2009	2008
Loans for which no impairment has been identified:		
Standard loans	914,395	201,148
Less:impairment provision	(69,932)	(999)
Standard loans, net	844,463	200,149
Impaired loans:		
Individually impaired	1,386,235	46,386
Less:impairment provision	(885,318)	(23,382)
Individually impaired loans, net	500,917	23,004
Overdue loans:		
- less than 90 days	115,220	6,657
- over 90 days, but less than 1 year	128,726	1,021
- over 1 year	123,314	-
Less:impairment provision	(211,826)	(4,253)
Overdue loans, net	155,434	3,425
Total impaired loans	656,351	26,429
Total loans	1,500,814	226,578

The components of net investments in finance lease as at December 31 are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Within one year	8,487	4,368	1,970
Later than one year, but not later than five years	13,317	15,125	9,577
After five years	3,494	4,256	3,908
Minimum lease payments	25,298	23,749	15,455
Less unearned finance income	(4,108)	(5,669)	(3,910)
Less impairment provision	(1,485)	(5,891)	(795)
Net investment in finance leases	19,705	12,189	10,750

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Maturities less than 1 year	347,755	23,383	7,729
Maturities between 1 and 5 years	949,706	68,646	29,429
Maturities over 5 years	119,980	134,245	68,259
Overdue	83,373	304	300
	1,500,814	226,578	105,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. AMOUNTS DUE FROM CREDIT INSTITUTIONS**

Amount due from credit institutions comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
10 largest local banks	484,010	171,659	85,999
Other local credit institutions	54,051	20,629	1,481
Gross loans	538,061	192,288	87,480
Less: impairment provision	(63,658)	(21,678)	(484)
Net loans	474,403	170,610	86,996
Less: current portion	52,554	28,103	761
Non-current portion	421,849	142,507	86,235

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Ratings from AA- to AA+	1,367	-	-
Ratings from A- to A+	970	-	-
Ratings from BB- to BB+	88,966	113,647	60,748
Rating lower than B+	335,969	56,515	25,017
No rating	47,131	448	1,231
	474,403	170,610	86,996

The movements in allowance for impairment of amounts due from credit institutions were as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
Allowance at January 1	21,678	484
Charged	62,390	21,193
Foreign currency translation	1,089	1
Recovered	(21,157)	-
Written-off	(342)	-
Allowance at December 31	63,658	21,678

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Maturities less than 1 year	52,554	28,103	761
Maturities between 1 and 5 years	349,834	115,514	37,435
Maturities over 5 years	72,015	26,993	48,800
	474,403	170,610	86,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. FINANCIAL ASSETS**

Financial assets comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Note receivable from joint venture participant	21,351	18,862	18,480
Note receivable from associate participant (Note 5)	16,075	–	–
Available for sale financial assets	209,590	191,900	178,765
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	78,880	66,645	52,534
NBRK notes	4,268	–	–
Corporate bonds	43,008	8,607	13,468
Bonds of Kazakhstan financial agencies	21,558	48,346	42,760
Bonds of international financial organizations	1,677	3,544	3,550
Other debt securities	1,400	42	2,603
Equity securities	67,169	66,655	65,726
Less: Impairment	(8,370)	(1,939)	(1,876)
Subject to repurchase agreement	9,411	16,490	200
Held to maturity financial assets	6,386	45,072	5,202
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	5,550	8,565	2,852
Corporate bonds	836	9,886	407
Bonds of Kazakhstan financial agencies	–	4,402	–
Other debt securities	–	22,219	1,943
Securities purchased under reverse repurchase agreements	210	54,934	24,918
Securities purchased under reverse repurchase agreements	210	55,179	24,918
Less: Impairment	–	(245)	–
Financial assets at fair value through profit and loss	4,411	20,549	29,728
Unquoted investments in venture capital organizations	–	4,093	4,268
Unquoted equity share investments	4,253	15,808	25,285
Corporate bonds	158	648	175
Finance lease receivable	43	679	–
Trading securities	132,189	–	–
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	28,611	–	–
Corporate bonds	46,290	–	–
Bonds of Kazakhstan financial agencies	11,668	–	–
Bonds of international financial organizations	8,776	–	–
Treasury bills of foreign states	3	–	–
Other equity securities	36,841	–	–
Derivative financial instruments	26,182	–	40
Options	14,385	–	–
Interest rate swaps	11,797	–	–
Other	–	–	40
Total financial assets	416,437	331,996	257,133
Less: current portion	(198,722)	(142,296)	(126,748)
Non-current portion	217,715	189,700	130,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. FINANCIAL ASSETS (continued)**

As at December 31, 2009 the interest rates for available-for-sale financial assets, held to maturity financial assets and trading securities were in the ranges from 0.01% to 18.9%, from 3.27% to 8.5% and from 11.3% to 12.5%, respectively (2008: from 1.7% to 45.4%, from 5.6% to 19.0%; 2007: from 4.05% to 25.17%, from 7% to 11%).

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Financial assets denominated in USD	206,236	97,415	100,696
Financial assets denominated in KZT	196,669	232,725	151,724
Financial assets denominated in other currency	13,532	1,856	4,713
	416,437	331,996	257,133

The movements in allowance for impairment of financial assets are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
Allowance at January 1	2,184	1,876
Charge	6,900	398
Written-off	(469)	–
Recovered	(245)	(90)
Allowance at December 31	8,370	2,184

Maturities of financial assets are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Maturities less than 1 year	198,722	142,296	126,748
Maturities between 1 and 5 years	97,572	70,687	29,732
Maturities over 5 years	47,996	32,516	5,474
No maturity	72,147	86,497	95,179
Total	416,437	331,996	257,133

Note receivable from joint venture participant

In 2007 the Group purchased a 50% interest in a jointly controlled entity, CCEL, whose investments are involved in oil and natural gas production in western Kazakhstan, from its co-investor, State Alliance Holdings Limited, a holding company ultimately belonging to CITIC Group, a company listed on the Hong Kong Stock Exchange.

CCEL is contractually obliged to declare dividends on an annual basis based on available distributable equity. At the same time, for the period until 2020 the Group is contractually obliged to transfer any dividends received from CCEL, in excess of a Guaranteed Amount, to CITIC, up to the Total Maximum Amount, which amounted to 790.5 million US dollars (117,289 million Tenge) as at December 31, 2009 (2008: 778.8 million US Dollars or 94,056 million Tenge). The Total Maximum Amount represents the balance of the Group's share of the original purchase price funded by CITIC plus accrued interest. The Group has no obligation to pay amounts to CITIC unless it receives an equivalent amount from CCEL. Accordingly, the Group recognizes in its consolidated balance sheet only the right to receive dividends from CCEL in the Guaranteed Amount on an annual basis until 2020, plus the right to retain any dividends in excess of the total maximum Guaranteed Amount. The carrying amount of this receivable at December 31, 2009 amounted to 141.7 million US Dollars (2008: 153.5 million US Dollars).

Additionally, the Group has the right, subject to certain conditions precedent, to exercise a put option and return the investment to CITIC in exchange for 150 million US Dollars plus annual interest of 8% less the cumulative amount of the guaranteed payments received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**12. FINANCIAL ASSETS (continued)****Note receivable from joint venture participant (continued)**

On November 17, 2008 the annual guaranteed amount has been increased from 26.2 million US Dollars to 26.9 million US Dollars, payable in two equal installments not later than June 12 and December 12. After signing this agreement, the effective interest rate on accounts receivable is 15% per annum.

Equity securities (available for sale financial assets)

In 2007 KazAtomProm (KAP) purchased 400 Class A ordinary shares of Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") for USD 400,000 thousand from Toshiba Nuclear Energy Investments US Inc.. In addition, KAP purchased 140 Class A ordinary shares of Toshiba Nuclear Energy Holdings UK, Ltd ("TNEH-UK") for USD 140,000 thousand from and Toshiba Nuclear Energy Investments UK Ltd. Through the purchase of 400 Class A ordinary shares of TNEH-US and 140 Class A ordinary shares of TNEH-UK KAP acquired a 10% interest in these entities. TNEH-US and TNEH-UK, own 100% interest in Westinghouse Group (referred to as "Westinghouse").

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, KAP entered into a put option agreement (the "Put Option"). The Put Option provides the Group with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of USD 540,000 thousand for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of USD 522,180 thousand if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant (a Group subsidiary). If the certification is not provided, the Group may exercise the Put Option during the period between March 31, 2010 and February 29, 2013.

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, KAP entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from KAP the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that KAP is no longer a strategic partner. In such case, the fair value of KAP's shares will be determined by an independent international appraiser.

The Group has classified this investment as available for sale as this best reflects the intention of the Group with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in a private company for which fair value cannot be reliably measured.

As of December 31, 2009 carrying value of investments was 66,046 billion Tenge (2008: 66,046 billion of Tenge; 2007: 65,313 billion of Tenge).

13. BANK DEPOSITS

Bank deposits comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Bank deposits denominated in USD	675,055	440,912	285,787
Bank deposits denominated in KZT	292,500	190,712	284,267
Bank deposits denominated in other currency	14,869	345	246
Less: Impairment	-	(7,154)	-
Total bank deposits	982,424	624,815	570,300
Less: current portion	(929,754)	(584,326)	(530,904)
Non-current portion	52,670	40,489	39,396

The movements in allowance for impairment of bank deposits are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
Allowance at January 1	7,154	-
Charge	451	7,154
Recovered	(7,605)	-
As at December 31	-	7,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**13. BANK DEPOSITS (continued)**

As at December 31, 2009 the weighted average interest rate for long-term bank deposits was 6.97%; the weighted average rate for short-term bank deposits was 8.31% (2008: 5.49% and 6.83%; 2007: 4.57% and 8.59%).

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Maturities less than 1 year	929,754	584,326	530,904
Maturities between 1 and 5 years	49,290	35,011	35,729
Maturities over 5 years	3,380	5,478	3,667
	982,424	624,815	570,300

As at December 31, 2009 bank deposits include cash of 75 million Tenge pledged as collateral for certain Group borrowings (2008: 23,944 million Tenge, 2007: 31,365 million Tenge) (Note 19).

As at December 31, 2009 bank deposits included cash and cash equivalents of 25,083 million Tenge restricted in use that can be, mainly, used for the purposes specified in certain loan agreements of the Group (2008: 13,081 million Tenge, 2007: 7,515 million Tenge)

14. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Advances paid for non-current assets	175,360	59,574	40,039
Long-term VAT recoverable	24,851	19,177	18,665
Long-term inventory	7,078	9,148	9,969
Other	13,786	13,856	12,740
Less: Impairment allowance for VAT recoverable	(14,404)	(12,939)	(11,959)
	206,671	88,816	69,454

Movements in impairment allowance for VAT recoverable are as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
At 1 January	12,939	11,959
Charge for the year	1,465	980
At 31 December	14,404	12,939

On December 9, 2009 the Fund has entered into agreement with Ekibastuz Holdings B.V. and Kazakhmys PLC relating to purchase of 50% ownership in Ekibastuz GRES-1 LLP. On 11 December, 2009 the Fund paid advance at the amount of 680,854 thousand US Dollars (equivalent to 101,080 million Tenge at the exchange rate as of the date of payment) for these shares.

As at December 31, 2009 advances in the amount of 22,965 million Tenge represent a prepayment to building contractors (2008: nil; 2007: nil). In 2009 the Fund entered into agreements with building contractors for acquisition of residential and office premises being built in Astana and Almaty. In accordance with contractual provisions the Group is obliged to make advance payments to contractors, and contractors are obliged to finish at the stated time. The Group will become owner of relevant objects upon completion of construction by building contractors.

All other advances also represent prepayments for the delivery of items of property, plant and equipment and construction services.

As at December 31, 2009 the management re-assessed the recoverability of non-current VAT recoverable and concluded that recoverability of 14,404 million Tenge is remote (2008: 12,939 million Tenge, 2007: 11,959 million Tenge). As a result, in 2009, the Group made a decision to accrue additional allowance for VAT recoverable in the amount of 1,465 million Tenge (2008: 980 million Tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. INVENTORIES**

Inventories comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Refined products for sale	57,659	34,155	49,021
Oil and gas industry materials and supplies	50,171	40,563	28,864
Uranium products	34,038	18,565	9,584
Gas products	30,787	15,755	7,310
Crude oil	29,256	17,708	19,577
Railway materials and supplies	26,302	32,603	29,110
Work in process	13,860	11,270	8,740
Production materials and supplies	5,861	1,018	1,184
Fuel	5,640	3,799	2,592
Uranium materials and supplies	5,512	5,427	4,002
Electric transmission spare parts	4,218	3,153	1,091
Goods for resale	2,510	3,082	3,101
Telecommunication spare parts	1,852	1,742	2,575
Other materials and supplies	7,407	6,900	5,912
Less: write-down to net realizable value	(12,106)	(13,613)	(9,821)
	262,967	182,127	162,842

16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Other current assets comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Advances paid and deferred expenses	104,235	59,022	38,773
Restricted cash	25,970	–	–
Other taxes prepayment	20,778	7,503	2,007
Dividends receivable (Note 9)	17,330	2,940	1,960
Prepayment to the Shareholder on dividends	8,645	–	–
Assets to be transferred under finance lease agreements	5,818	6,273	729
Obligatory reserve with the National Bank of RK	1,020	864	627
Amounts due from employees	776	2,450	477
Financial assistance	–	3,297	50
Other	64,859	34,108	41,288
Less: provision	(24,253)	(9,486)	(9,497)
	225,178	106,971	76,414

Trade accounts receivable comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Trade accounts receivable	220,530	184,409	240,047
Less: provision	(18,818)	(26,083)	(17,008)
	201,712	158,326	223,039

At December 31, 2009 the Group's receivables amounting to 15,992 million Tenge were pledged under loan agreements (2008: 9,373 million Tenge).

At December 31, 2009 restricted cash in the amount of 24,000 million Tenge comprise cash placed on current account with the National Bank of the Republic of Kazakhstan intended for purchase of ordinary shares of Alliance Bank JSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)**

Movements in the allowance for impairment of trade accounts receivable and other current assets were as follows:

<i>In millions of Tenge</i>	2009	2008 (restated)
Reserve at January 1	35,569	26,505
Charge for the year	17,734	17,624
Foreign currency translation	1,711	-
Utilised	(7,056)	(7,459)
Recovered	(4,052)	(1,101)
Transfers to assets classified as held for sale (Note 6)	(4)	-
Loss of control over subsidiary	(831)	-
At December 31	43,071	35,569

As at December 31, 2009, 2008 and 2007 trade accounts receivable and other current assets were not interest bearing.

As at December 31 the ageing analysis of trade receivables, is as follows:

<i>In millions of Tenge</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
2009	201,712	146,837	27,269	7,907	2,178	7,088	10,433
2008 (restated)	158,326	123,794	21,619	5,633	2,210	1,954	3,116

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Bank deposits – US Dollars	112,456	335,537	235,612
Bank deposits – Tenge	422,780	791,303	203,883
Bank deposits – other currency	8,073	14,232	5,104
Current accounts with banks – US Dollars	181,851	74,785	40,571
Current accounts with banks – Tenge	501,029	227,621	134,444
Current accounts with banks – other currency	31,900	8,188	8,065
Cash on hand	53,123	1,955	2,013
Cash in transit	73	270	610
Impairment provision	(203)	-	-
	1,311,082	1,453,891	630,302

As at December 31, 2009 the Group's cash and cash equivalents amounting to 620 million Tenge were pledged as collateral for certain Group's borrowings (2008: 0; 2007: 0).

Short-term deposits are placed for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at December 31, 2009 the weighted average interest rate for time deposits with banks was 2.63% (2008: 2.57%; 2007: 8.09%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. EQUITY****Share capital**

During 2009 and 2008 the Fund made issue of shares, which were contributed as follows:

Payment for shares	Number of shares authorized and issued	Par value, in Tenge	Share capital, in Millions of Tenge
Merger of Samruk and Kazyna	2,816,433,936	1,000	2,816,434
Contributions in cash	607,809,000	10,000, 1,000	610,590
Contributions of state-owned shares	3,189,907	10,000	31,899
As at December 31, 2008	3,427,432,843		3,458,923
Contributions in cash	15,274,340	10,000, 1,000	67,346
Contributions of state-owned shares	22,203,019	10,000, 1,000	222,030
As at December 31, 2009	3,464,910,202		3,748,299

As at December 31, 2009 3,464,910,202 shares (2008: 3,427,432,843 shares) were fully paid.

Share capital of the Fund was established through a series of share issues (*Notes 3*), paid by capitalization of retained earnings, contributions with shares of entities under common control of the Government, cash and other property contributions, as described below:

2008*Merger of Samruk and Kazyna*

- According to the Decree of the President of the Republic of Kazakhstan No.669 dated October 13, 2008 and Regulation of the Government of the Republic of Kazakhstan No.962 dated October 17, 2008, on November 3, 2008 net assets of Samruk and Kazyna were contributed to the Fund's charter capital.

Contributions of state-owned shares

- In accordance with the Regulation of the Government of the Republic of Kazakhstan dated October 17, 2008 No.962, on December 24, 2008 shares of seven social-entrepreneurship corporations and Kazakh Fund of Guarantee of Mortgage Loan JSC were transferred to the Fund (*Note 41*).

Contributions in cash

- In accordance with the Law of the Republic of Kazakhstan No. 8-IV "On budget" for 2008 dated December 6, 2007, during the period from November 6 to December 30, 2008 the Government contributed cash to the Fund's equity at the amount of 607,500 million Tenge. This amount was intended for implementation of Stabilization Plan. (*Note 1*).
- In accordance with the Regulation of the Government of the Republic of Kazakhstan No.1236 dated December 24, 2008, on December 30, 2008 an amount of 3,090 million Tenge was contributed the Fund's equity. This amount was intended for financing of concession project "Construction and operation of new railway line "Char – Ust-Kamenogorsk".

2009*Contributions of state-owned shares*

- In accordance with the Regulation of the Government of the Republic of Kazakhstan No.962 dated October 17, 2008, on January 19, 2009 state-owned shares of National Atomic Company KazAtomProm JSC were transferred to the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. EQUITY (continued)****Share capital (continued)****2009 (continued)***Contributions of state-owned shares (continued)*

- In accordance with the Regulation of the Government of the Republic of Kazakhstan No. 10 dated January 15, 2009, on April 15, 2009 state-owned shares of National Mining Company Tau-Ken Samruk JSC were transferred to the Fund. National Mining Company Tau-Ken Samruk JSC was established in 2009.
- In accordance with the Regulation of the Government of the Republic of Kazakhstan No.1148 dated July 27, 2009, on August 20, 2009 state-owned shares of House Construction Savings Bank of Kazakhstan JSC, Institution of Organic Catalysis and Electrical Chemistry JSC and Institute of Chemical Sciences named after A.B.Bekturov JSC were transferred to the Fund.

Contributions in cash

- In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2009-2011" dated December 4, 2008, during 2009 the Government contributed an amount of 67,346 million Tenge to the Fund's capital. This amount was mostly intended for financing of investment projects implemented by subsidiaries, for financing of measures on implementation of state housing program and to extend loans for small and medium business.

Merger of Samruk and Kazyna and subsequent contribution of shares of state-owned entities were accounted for as transactions under common control and, as such, any difference arising between shares issued and book value of contributed net assets was charged to retained earnings. Since these consolidated financial statements are presented as if the transfers of controlling interests in the subsidiaries had occurred at the beginning of the earliest period presented, or, if later, on the date of the acquisition of the subsidiary by the transferring entities under common control, the total book value of contributed net assets is accounted for in these consolidated financial statements as an adjustment to retained earnings. Subsequently, when shares are issued by the Fund, these amounts are reclassified to Share capital.

Currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not Kazakhstan Tenge and whose financial statements are included in these consolidated financial statements in accordance with the accounting policy disclosed in *Note 3*.

Discount of loans from the Government

During 2009 the Fund received from the Government loans, bearing lower-than-market interest rates (*Note 20*). Bonds discount at initial recognition in the amount of 461,255 million Tenge was recognized in the consolidated statement of changes in equity (*Note 18 and 20*).

Change in ownership interests of subsidiaries – capital contribution by minority shareholders*BTA Bank*

On February 2, 2009 the Fund purchased 75.1% of BTA Bank shares. The minority interest in net assets of the bank on the acquisition date, including minority interest on the bank's level, was 139,090 million Tenge. As at the date of reporting the minority interest was fully written-off due to BTA Bank net loss allocated to the minority interest. The amount of minority interest loss allocated to the Shareholder of the Group participation was 58,518 million Tenge.

KMG

In 2009 Exploration Production KazMunayGas JSC increased its treasury stock due to share repurchase program (1,499,180 common shares repurchased) for 21,381million Tenge (2008: 55,748 common shares for 521 million Tenge). The difference between the amount paid and carrying value of disposed minority interest of 1,593 million Tenge was recognized in retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**18. EQUITY (continued)****Change in ownership interests of subsidiaries – capital contribution by minority shareholders***Social-Entrepreneurship Corporations*

Also, due to transfer in 2009 to the trust management of SEC shareholdings owned by the Fund to the State Assets and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan, and decrease of the Fund's ownership ratio due to additional contributions by the Committee, the Fund during 2009 lost control over five social-entrepreneurship corporations (*Note 6*). Disposed minority interest in net assets of SEC was 31,536 million Tenge.

Other capital reserves

Other capital reserves include the effect of cash flow hedge accounting to record any fair value gains or losses on the designated derivative financial instruments in a hedging reserve within equity. These gains or losses are subsequently recycled to the profit and loss as the transactions settled.

Other capital reserves also include remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other equity reserves, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009	2008
Net (loss)/profit attributable to ordinary equity holders of the parent from continuing operations	(559,023)	377,634
Net loss attributable to ordinary equity holders of the parent from a discontinued operation	(5,267)	(9,898)
Net (loss)/profit attributable to ordinary equity holders of the parent for basic earnings	(564,290)	367,736
Weighted average number of ordinary shares for basic and diluted earnings per share	3,452,952,916	2,749,692,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. BORROWINGS**

Borrowings, including accrued interest, comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Fixed interest rate borrowings	2,008,094	760,247	807,855
Weighted average interest rate	7.62%	6.93%	6.66%
Variable interest rate borrowings	1,320,469	952,111	591,705
Weighted average interest rate	4.44%	4.50%	6.95%
Less: amounts due for settlement within 12 months	(1,093,691)	(292,304)	(732,439)
Amounts due for settlement after 12 months	2,234,872	1,420,054	667,121

<i>In millions of Tenge</i>	2009	2008	2007
US dollar-denominated borrowings	2,650,184	1,565,033	1,155,759
Tenge-denominated borrowings	244,965	36,004	27,519
Other currency-denominated borrowings	433,414	111,321	216,282
	3,328,563	1,712,358	1,399,560

Under the terms and conditions of certain borrowing agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. At December 31, 2009, Group management believes that the Group's subsidiaries complied with all the covenants (Note 45).

20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from Government comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Loans from the Government of the Republic of Kazakhstan	869,965	55,295	14,449
Advances for project finance	6,848	9,915	11,576
	876,813	65,210	26,025
Less: amounts due for settlement within 12 months	(593,599)	(859)	(384)
Amounts due for settlement after 12 months	283,214	64,351	25,641

As at December 31, 2009 the loans from the Government of the Republic of Kazakhstan included loans in total amount of 586,368 million Tenge obtained from the National Bank of the Republic of Kazakhstan by BTA Bank and KMG through the repurchase agreements under the pledge of debt securities of the Fund.

In 2009, the Fund has placed 480,000 and 149,900,000 coupon bonds with nominal value of 1,000,000 Tenge and 1,000 Tenge per bond, respectively, to the total amount of 629,900 million Tenge on unorganized market. The maturity of bonds shall be 15 years and 20 years, coupon interest at the amount of 0.02% and 1% shall be paid half-yearly. All bonds were purchased by the National Bank of the Republic of Kazakhstan. These bonds were initially recorded at fair value calculated using market interest rates applicable to the Fund as at the date of bonds issue (480,000 bonds: 9.5%, 149,900,000 bonds: 5.96%). The difference between nominal cost of loans and their fair value at the amount of 448,833 million Tenge was recognized in the consolidated statement of changes in equity as additional contribution of the Shareholder. Amounts obtained from realization of these bonds have the following purpose: development and support of housing sector and financing for small and medium business under the Stabilization plan, purchase of 50% share in Ekibastuz GRES-1 LLP and refinancing of acquisition of 50% share in Bogatyr Access Comir LLP.

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2009-2011" dated December 4, 2008, on December 23, 2009 the Fund has obtained 3 loans from the Ministry of Finance of the Republic of Kazakhstan to the total amount of 27,277 million Tenge with interest rates ranging between 0.1% and 1.5%. Loans were granted to the period from 10 to 20 years and intended for the following purposes:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**20. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN (continued)**

- Providing loan to House Construction Savings Bank of Kazakhstan JSC at the amount of 18,277 million Tenge in order to grant housing loans to certain categories of citizens at the interest rate of 4% per annum;
- Providing loan to Development Bank of Kazakhstan JSC at the amount of 5,000 million Tenge in order to decrease loan rates for projects in priority industries. Interest rate for the end-use borrower shall not exceed 0.2% per annum;
- Providing loan for Kazakhstan Petrochemical Industries Inc LLP at the amount of 4,000 million Tenge to finance construction of infrastructure for first integrated gas and chemical complex in Atyrau oblast with interest rate not exceeding 3% per annum.

When initially recognized, these loans were measured at fair value equal to 14,855 million Tenge using approximate market interest rate of 5.96%. The difference between nominal cost of loans and their fair value at the amount of 12,422 million Tenge was recognized in the consolidated statement of changes in equity as additional contribution of the Shareholder.

Also, as at December 31, 2009 the loans from the Government of the Republic of Kazakhstan consisted of long-term loans granted from the state budget intended to support certain industries, including textile, gas processing and chemicals. The interest rate on the loans ranged between 0.1% and 8.4% per annum depending on the purpose of the loan, and is in line with the interest rate charged to customers.

Advances for project finance represent an unutilised part of the loan from the budget intended for providing financing to Joint Kazakhstan-Russian Entity "Baiterek" JSC for the construction of an air space complex by the end of 2009. The loan will be repaid by equal parts from 2010 until 2023. The Group acts as an agent and is not liable for any misuse of the loan by the borrower or any other risks related to the loan.

21. OTHER NON-CURRENT LIABILITIES**Payables for acquisition a share in a project**

On October 31, 2008 all participants of NCP signed an agreement according to which all project participants except for KMG Kashagan B.V. agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan B.V. in NCP from 8.33% to 16.81% retrospectively from January 1, 2008 (*Notes 7 and 8*). The acquisition cost consisted of fixed amount of 1.78 billion US Dollar plus annual interest at LIBOR + 3%, which annually is capitalised with the principal amount. The given debt obligation is pledged by the additional 8.48% interest acquired. As at December 31, 2009 the carrying value of pledged assets (property, plant and equipment, and exploration and evaluation assets) was 447,382 million Tenge (2008: 271,557 million Tenge).

As at December 31, 2009 carrying value of this liability amounted to 312,052 million Tenge. (2008: 239,501 million Tenge)

Disposal of 49% share in Semizbai-U

In 2008, KazAtomProm JSC entered into agreement (Agreement) with Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company") for sale of 49% share in Semizbai-U LLP for cash consideration of 234 million US Dollars (or 28,274 million Tenge), which represents current value of future cash outflows. The Group retains 51% share in Semizbai-U LLP.

According to the Agreement Sino-Kaz has the right to distribute in proportion to share participation the minimum net income from 2010 through 2033, which represents the repayment of the financial liability recorded in this transaction. This distribution is required for minimum payments of contractual amounts. These payments are guaranteed by KazAtomProm JSC. This financial liability was measured at fair value as at the date of its initial recognition.

China Guandong Nuclear Power Corporation, parent of Sino-Kaz Company, undertakes a commitment to certify technologies used at Ulbinskiy metallurgical complex JSC to produce uranium dioxide in powder and pellet for Chinese nuclear plants during two years from the date of the Agreement.

KazAtomProm JSC also entered into call option that gives it the right to claim from Sino-Kaz Company the sale of 49% share in Semizbai-U for Kazatomprom JSC, if KazAtomProm JSC does not receive the above certification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. OTHER NON-CURRENT LIABILITIES (continued)****Disposal of 49% share in Semizbai-U (continued)**

Call option could be realised at a price equal to the consideration paid by Sino-Kaz Company for its participation of 49%, less the current cost of net income distributed by Sino-Kaz Company.

KazAtomProm JSC also entered into put option that gives Sino-Kaz Company the right to sell its 49% share in Semizbai-U for Kazatomprom JSC at a price equal to consideration paid by Sino-Kaz Company, less the current cost of net income distributed by Sino-Kaz Company. Realisation of this put option depends on the following events: (a) Kazakhstan Government terminates subsurface use contract for any of uranium deposits belong to Semizbai-U; (b) uranium export by Semizbai-U is either forbidden, or embargo is applied; (c) any other reasons arising in connection with nonfulfillment by Semizbai-U any other agreements in accordance with arrangements of the parties.

In accordance with Kazakhstan tax legislation this transaction is considered as the sale of participation share in a subsidiary for the consideration of 28,274 million Tenge and realisable value of 2,964 million Tenge. Gain on disposal for the taxation purposes was 25,310 million Tenge.

As at December 31, 2009 carrying value of this liability amounted to 38,592 (2008: 28,274 million Tenge)

22. FINANCE LEASE LIABILITIES

The Group has finance leases for various items of property, plant and equipment, mainly telecommunication equipment and rolling stock.

As at December 31, 2009 calculation of interest amounts was based on effective interest rates ranging from 4% to 18.26% (2008: from 6% to 19%; 2007: from 6% to 15%).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments comprised the following at December 31:

<i>In millions of Tenge</i>	2009	
	Minimum lease payments	Present value of minimum lease payments
Within one year	13,047	10,094
Two to five years inclusive	23,210	17,934
After five years	5,471	3,946
Less: amounts representing finance charges	(9,754)	-
Present value of minimum lease payments	31,974	31,974
Less: amounts due for settlement within 12 months		(10,094)
Amounts due for settlement after 12 months		21,880

<i>In millions of Tenge</i>	2008 (restated)	
	Minimum lease payments	Present value of minimum lease payments
Within one year	9,168	6,208
Two to five years inclusive	22,128	14,455
After five years	7,196	3,175
Less: amounts representing finance charges	(14,654)	-
Present value of minimum lease payments	23,838	23,838
Less: amounts due for settlement within 12 months		(6,208)
Amounts due for settlement after 12 months		17,630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. FINANCE LEASE LIABILITIES (continued)**

<i>In millions of Tenge</i>	2007	
	Minimum lease payments	Present value of minimum lease payments
Within one year	12,705	5,593
Two to five years inclusive	16,159	14,269
After five years	3,515	2,607
Less: amounts representing finance charges	(10,450)	–
Present value of minimum lease payments	21,929	21,929
Less: amounts due for settlement within 12 months		(5,593)
Amounts due for settlement after 12 months		16,336

23. PROVISIONS

Provisions comprised the following at December 31:

<i>In millions of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Provision at December 31, 2007	27,442	34,743	20,992	–	13,941	97,118
Foreign currency translation	74	69	–	–	(6)	137
Change in estimate	(11,229)	–	–	–	–	(11,229)
Unwinding of discount	2,095	25	–	–	352	2,472
Provision for the year	7,880	1	7,680	–	6,763	22,324
Use of provision	(764)	(3,076)	(290)	–	(11,059)	(15,189)
Reversal of unused amounts	–	(529)	(2,149)	–	(372)	(3,050)
Provision at December 31, 2008 (restated)	25,498	31,233	26,233	–	9,619	92,583
Foreign currency translation	1,359	2,167	92	–	568	4,186
Change in estimate	(3,815)	941	162	27,890	(675)	24,503
Unwinding of discount	2,068	25	–	–	246	2,339
Provision for the year	6,866	10	17,019	–	6,729	30,624
Additions through business combinations (Note 5)	–	57	–	238,808	–	238,865
Use of provision	(1,148)	(3,506)	(1,255)	(136,972)	(6,399)	(149,280)
Reversal of unused amounts	(2,142)	–	(10,713)	(70,599)	(1,548)	(85,002)
Provision at December 31, 2009	28,686	30,927	31,538	59,127	8,540	158,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**23. PROVISIONS (continued)**

Current portion and long-term portion are segregated as follows:

<i>In millions of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Current portion	1,000	6,679	28,848	31,740	11,370	79,637
Long-term portion	27,686	24,248	2,690	27,387	(2,830)	79,181
Provision at December 31, 2009	28,686	30,927	31,538	59,127	8,540	158,818
Current portion	1,119	6,387	25,750	–	7,940	41,196
Long-term portion	24,379	24,846	483	–	1,679	51,387
Provision at December 31, 2008 (restated)	25,498	31,233	26,233	–	9,619	92,583
Current portion	1,340	2,813	19,501	–	10,606	34,260
Long-term portion	26,102	31,930	1,491	–	3,335	62,858
Provision at December 31, 2007	27,442	34,743	20,992	–	13,941	97,118

A description of these provisions, including critical estimates and judgments, is included in *Note 4*.

24. EMPLOYEE BENEFIT LIABILITY**State Contribution Scheme**

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

The Group also withholds and contributes up to 10% from the salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed when they are incurred.

Defined Benefit Scheme

Employee benefit liability under this scheme are payable in accordance with labour union agreements concluded between certain subsidiaries of the Group ("KazMunayGas" JSC, "National Company "Kazakhstan Temir Zholy" JSC, "Samruk-Energy" JSC and "Kamkor" LLP) and employees of those subsidiaries.

The total liability for the Group's Defined Benefit Scheme comprised the following at December 31:

	2009	2008 (restated)	2007
Present value of defined benefit liability	30,441	28,756	27,680

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Total liability at the beginning of the year	28,756	27,680
Current service cost	1,631	2,768
Past service cost	621	(184)
Interest cost	2,289	2,026
Benefits paid during the year	(2,179)	(2,014)
Acquisitions during the year		
Actuarial loss recognized during the year	(677)	(1,521)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**24. EMPLOYEE BENEFIT LIABILITY (continued)****Defined Benefit Scheme (continued)**

<i>In millions of Tenge</i>	2009	2008 (restated)
Total liability at the end of the year	30,441	28,755
Liability falling due within one year	(1,927)	(1,703)
Liability falling due after one year	28,514	27,052

Actuarial loss recognised for the years ended 31 December 2009 and 2008 results primarily from changes in assumptions relating to future salary increases.

Current service cost, interest cost, past service cost and actuarial loss in the aggregate amount of 3,864 million Tenge were recorded in the consolidated statement of comprehensive income within personnel costs (2008: 3,090 million Tenge).

The estimates of the Group's liability were made on the basis of published statistical data regarding mortality and the actual Group's data concerning the number, age, gender and years of employee service. Other principal assumptions at the balance sheet date, calculated as weighed average for all plans, were as follows:

	2009	2008 (restated)	2007
Discount rate	6.98%	6.90%	6.42%
The expected rate of future annual material assistance increases	4.44%	4.49%	5.52%
The expected rate of future annual minimum salary increases	5.55%	5.52%	5.92%
The expected rate of future annual railway ticket price increases	4.50%	4.50%	4.50%

The Defined Benefit Schemes are unfunded.

25. AMOUNTS DUE TO CUSTOMERS

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Time deposits:	266,972	12,049	7,711
Commercial entities	36,578	–	–
Individuals	223,208	12,049	7,711
Government organizations	1,166	–	–
Nonprofit entities	6,020	–	–
Current accounts:	146,687	8,188	9,710
Commercial entities	22,419	1,077	2,900
Individuals	43,889	7,111	6,810
Government organizations	78,661	–	–
Nonprofit entities	1,718	–	–
Guarantees and other deposits with restrictive covenants:	15,425	8,646	4,525
Commercial entities	10,535	376	68
Individuals	4,852	8,270	4,457
Government organizations	37	–	–
Nonprofit entities	1	–	–
Amounts due to customers	429,084	28,883	21,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**26. DERIVATIVE FINANCIAL INSTRUMENTS****Options at acquisition of investments**

As part of the acquisition of KazCommertsbank JSC and Halyk Bank Kazakhstan JSC the Fund also obtained a call and put option to sell the acquired share, which is exercisable during the period from 2 to 5 years from the date of acquisition. On the acquisition date the fair value of these call and put options was 12,346 million Tenge for Kazcommertsbank JSC and 24,071 million Tenge for Halyk Bank Kazakhstan JSC and it was recognised as a part of the cost of investments in associates (*Note 8*). As at December 31, 2009 the fair value of these options was 130,541 million Tenge, and the difference was recorded in the consolidated statement of comprehensive income.

Settlement of liability under put and call option arising on business combination

As part of the acquisition of Rompetrol Group N.V. ("TRG") in 2007 NC KMG also obtained a call and put option to acquire the remaining 25% of TRG. As at December 31, 2008 the cost of these options was 14,896 million Tenge (2007: 34,387 million Tenge). NC KMG applied accounting for the business combination on the basis that the underlying shares subject to the put option had been acquired. On June 24, 2009 NC KMG settled the liability under a put and call option for cash consideration of 15,043 million Tenge. The surplus of 147 million Tenge was recorded within finance income in the consolidated statement of comprehensive income.

27. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following at December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Advances received and deferred income	114,864	72,021	58,604
Other taxes payable	100,690	46,212	41,872
Employee benefit liability	36,410	38,631	37,150
Securities sold under agreement to repurchase	13,645	13,104	957
Other	86,998	45,293	27,426
	352,607	215,261	166,009

As at December 31, 2009, 2008 and 2007 other current liabilities were not interest bearing.

28. REVENUE

Revenue comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
Sales of refined products	1,041,333	1,107,132
Sales of crude oil	428,020	658,085
Railway cargo transportation	398,734	404,473
Interest revenue	325,999	49,886
Oil and gas transportation	250,000	197,140
Sales of uranium products	138,820	83,890
Telecommunication services	135,943	134,080
Air transportation services	80,860	77,762
Sales of gas products	62,899	61,704
Electricity complex	59,912	89,954
Railway passenger transportation	46,647	42,523
Electric energy transmission services	29,497	29,394
Postal services	14,690	13,675
Other revenue	174,751	148,668
Less: sales taxes and commercial discounts	(276,272)	(224,179)
	2,911,833	2,874,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. REVENUE (continued)***Other revenue*

Other revenue comprises primarily revenue from the sale of inventories and rendering of other supplementary services to third parties provided together with the main services.

29. GOVERNMENT GRANTS

According to Resolution of the Government of the Republic of Kazakhstan No. 1188, dated November 11, 2004 "On the approval of subsidies for carrier losses connected with the provision of passenger transportation", beginning from January 1, 2005, "National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") has started receiving government grants as a compensations of carriers' losses for socially important destinations. There are no unfulfilled conditions or contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2009 was 10,058 million Tenge (2008: 7,300 million Tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 1039, dated October 7, 2004 "On the approval of subsidies for telecommunication operators losses connected with the provision of universal telecommunication services in rural areas", beginning from 4th quarter of 2004, the Kazakhtelecom started receiving government grants as compensation of operators' losses for socially important destinations. There are no unfulfilled conditions or contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2009 totaled 5,139 million Tenge (2008: 4,386 million Tenge).

In accordance with Resolution of the Government of the Republic of Kazakhstan No. 915 dated August 17, 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana to other cities in Kazakhstan. The subsidy is based on the excess of flight costs over revenue earned. The amount of subsidy for the year ended December 31, 2009 was 599 million Tenge (2008: 585 million Tenge).

30. COST OF SALES

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Materials and supplies	950,530	1,193,375
Personnel costs	313,017	283,615
Interest expense	255,629	12,651
Depreciation, depletion and amortization	172,246	161,908
Production services rendered	61,403	108,333
Repair and maintenance	56,158	10,737
Mineral extraction tax	55,077	–
Rent	26,701	18,010
Royalty	–	28,365
Other	34,971	128,993
	1,925,732	1,945,987

31. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Personnel costs	122,410	98,169
Consulting services	35,162	15,205
Taxes other than income tax	33,455	28,704
Depreciation and amortization	26,005	17,449
Provision for doubtful debts	16,393	16,426
Charitable donations	13,670	9,769
Fines and penalties	2,185	325
Other	63,087	78,976
	312,367	265,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**32. TRANSPORTATION AND SELLING EXPENSES**

Transportation and selling expenses comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
Transportation	67,323	35,781
Rent tax	58,827	–
Personnel costs	15,127	12,207
Depreciation and amortization	10,678	8,469
Commission fees to agents and advertising	7,159	11,385
Customs duties	–	68,801
Other	21,534	18,831
	180,648	155,474

33. LOSS OF CONTROL OVER SUBSIDIARY*Loss of control over Kaztransgas-Tbilisi JSC (subsidiary of NC KMG)*

In accordance with the decision of Kutaisy city court dated March 16, 2009 NC KMG lost control over its subsidiary KazTransGas Tbilisi JSC as a result of transfer of the latter to the special governance of Georgian National Energy and Water Regulating Committee. Therefore, NC KMG lost its right to determine financial and operational activities of KazTransGas Tbilisi JSC, thus losing control of the subsidiary and the rights to the economic benefits associated with control. This subsidiary was deconsolidated as of March 16, 2009, the date of loss of control.

The major classes of assets and liabilities of KazTransGas Tbilisi JSC as of March 16, 2009 were as follows:

<i>In millions of Tenge</i>	March 16, 2009
Property, plant and equipment	6,452
Intangible assets	17
Inventories	197
Trade accounts receivable	4,065
Taxes recoverable	580
Cash and cash equivalents	280
Total assets	11,591
Interest bearing loans and borrowings	9,220
Loans from related parties	8,530
Deferred corporate income tax liability	658
Trade and other payables	7,650
Other current liabilities	1,128
Total liabilities	27,186
Net liabilities	(15,595)
Less: foreign currency translation reserve	2,389
Less: provision for subsidiary liability guaranteed by the Group	7,418
Gain on loss of control over subsidiary	(5,788)

In December 2009, NC KMG signed a sub-participation agreement with Credit Suisse. According to the sub-participation agreement, NC KMG extinguished its obligation with respect to the liabilities of KTG-Tbilisi by acquiring the rights to the loan of KTG-Tbilisi from Credit Suisse for 7,418 million Tenge. NC KMG fully impaired the rights of demand from KTG-Tbilisi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33. LOSS OF CONTROL OVER SUBSIDIARY (continued)***Loss of control over Kaztransgas-Tbilisi JSC (subsidiary of NC KMG) (continued)*

The operating results of KTG-Tbilisi for the two and half months ended March 16, 2009 were as follows:

<i>In millions of Tenge</i>	
Revenue	4,108
Cost of sales	(3,649)
Administrative expenses	(262)
Selling expenses	(943)
Other expense	(494)
Loss before income tax	(1,240)
Income tax expenses	(26)
Loss for the period	(1,266)

KTG-Tbilisi's accumulated amount of foreign currency translation reserve amounting to 2,389 million Tenge was included in the gain from loss of control over subsidiary.

Loss of control over SPKs

During 2009 the Fund lost control over five social-entrepreneurship corporations (*Note 18*).

Disposal of SC Astra Investitii Imobiliare SRL

In September 2008 TRG's remaining interest in Straulesti Project Development was disposed of as a result of the sale of the entire participation in subsidiary SC Astra Investitii Imobiliare SRL for 7,820 million Tenge to DPS Investments Ltd., a Cyprus based company. The resulting gain of 2,840 million Tenge has been recognized by NC KMG in 2008 consolidated statement of comprehensive income.

Loss of control over BTA Bank CJSC (subsidiary of BTA Bank)

On December 28, 2009 on the basis of the decision of Bishkek regional court, Kyrgyz Republic, the court marshal levied execution upon shares of BTA Bank CJSC owned by the Bank, and therefore, Bank's management decided to deconsolidate BTA Bank CJSC as at the end of 2009. The loss from derecognition of BTA Bank CJSC amounted to KZT 3,075 million.

Major classes of assets and liabilities of BTA Bank CJSC as at December 28, 2009 are as follows:

Cash and cash equivalents	1,996
Due from credit institutions	945
Obligatory reserves	854
Investment securities	1,145
Loans to customers	6,671
Property and equipment	1,434
Other assets	751
Total assets	13,796
Due to the Government	248
Due to credit organisations	7,560
Due to customers	1,443
Other liabilities	279
Total liabilities	9,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**33. LOSS OF CONTROL OVER SUBSIDIARY (continued)***Loss of control over BTA Bank CJSC (subsidiary of BTA Bank) (continued)*

Net assets value	4,266
Minority interest	(1,191)
Group's share in fair value of net assets – loss from disposal	3,075
Total cash received	–
Cash of disposed entity	(1,996)
Total cash outflow	(1,996)

34. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
Impairment of loans to customers	930,624	17,559
(Reversal)/Impairment of bank deposits	(7,154)	7,154
Impairment of goodwill	36,743	29,216
Impairment of property, plant and equipment and intangible assets	13,526	7,759
Impairment of loans granted to banks	41,234	21,193
Impairment of investment in associates	1,843	5,348
Other	15,944	1,760
	1,032,760	89,989

35. OTHER OPERATING EXPENSES

Other operating loss for the year ended December 31, 2009 includes mainly net loss from operations with financial instruments carried at fair value through profit and loss for the amount of 208,609 million Tenge (2008: 11,961 million Tenge), including change in fair value of options for shares of KKB and Halyk Bank totaling to 94,124 million Tenge (2008: nil) (Note 26)

36. FINANCE COST

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Interest on loans and debt securities issued	144,258	110,007
Unwinding of discount on provisions	3,325	2,663
Interest on finance lease obligations	2,799	2,172
Unwinding of discount on put option liability on TRG (Note 26)	–	5,125
Other	19,286	11,487
	169,668	131,454

37. FINANCE INCOME

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Interest income on bank deposits and short-term investments	86,732	88,043
Income from securities	2,462	4,471
Revaluation of put option liability on TRG (Note 26)	–	24,617
Other	4,742	9,147
	93,936	126,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**38. SHARE OF INCOME IN JOINT VENTURES AND ASSOCIATES**

Share of income in joint ventures and associates comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
TengizChevroil LLP	111,025	145,347
Kazkommertsbank JSC	46,538	–
KazRosGas JSC	44,476	21,012
GSM Kazakhstan LLP	21,167	17,555
Halyk Bank JSC	17,830	–
PetroKazakhstan Inc.	9,221	22,471
Kazakhoil-Aktobe LLP	2,454	2,323
KazGerMunay LLP	1,554	44,649
Other	24,573	13,312
	278,838	266,669

39. FOREIGN EXCHANGE LOSS, NET

On February 4, 2009 Tenge has devalued comparing to US Dollar and other main currencies. Exchange rate before and after devaluation were 122 and 150 Tenge per 1 US Dollar, respectively.

40. INCOME TAX EXPENSES

As at December 31, 2009 income tax prepayment in the amount of 39,743 million Tenge represents corporate income tax prepayment (2008: 26,071 million Tenge; 2007: 20,242 million Tenge).

Income taxes payable as at December 31 comprised:

<i>In millions of Tenge</i>	2009	2008 (restated)	2007
Excess Profit Tax	19,246	56,012	51,461
Corporate Income Tax	13,877	2,119	13,115
Income tax payable	33,123	58,131	64,576

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

<i>In millions of Tenge</i>	2009	2008 (restated)
Current income tax expenses:		
Corporate income tax	117,754	188,277
Excess profit tax	30,914	60,569
Withholding tax on dividends	27,445	21,001
Deferred income tax expense/ (benefit):		
Corporate income tax	58,085	(70,873)
Excess profit tax	(106)	(3,208)
Withholding tax on dividends	31,631	(211)
Income tax expenses	265,723	195,555

According to the 2006 amendments to the tax legislation, which were effective starting from the fiscal years beginning on January 1, 2007, dividends received from Kazakhstan taxpayers were exempt from withholding tax withheld at the source of payment. Therefore, in 2006 the Group reversed the deferred tax liability on undistributed profits of subsidiaries registered in Republic of Kazakhstan, which were provided for in prior years.

However, during 2007-2009 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, Kazakhstan tax payer) net of withholding tax since there is an uncertainty whether the withholding tax exemption is applicable for stable tax regime of Tengizchevroil LLP. The Group was claiming to cancel withholding of the tax on those dividends, but has not achieved it as of 31 December, 2009. Therefore, the Management of the Group recognized the deferred withholding tax on undistributed dividends of Tengizchevroil LLP since it believes that the best estimate is that the Group will continue to receive dividends net of withholding tax in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. INCOME TAX EXPENSES (continued)**

In December 2008 the Government of the Republic of Kazakhstan approved amendments to the tax code effective January 1, 2009, in accordance to which the statutory income tax rates were changed to 20% in 2009, 17.5% in 2010 and 15% from 2011 onwards. The Group's calculations of deferred tax and income tax expense as of December 31, 2008 and for the year then ended reflect these changes in the tax law.

In November 2009, the Government of Republic of Kazakhstan approved further amendments to the tax code effective January 1, 2009, in accordance to which the statutory income tax rates are further changed to 20% in 2009-2012, 17.5% in 2013 and 15% in 2014 and onwards. The mechanism for calculating EPT was also changed in 2009. The Group's calculations of deferred tax and income tax expense as of December 31, 2009 and for the year then ended reflect these changes in the tax law.

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20% in 2009 and 30% in 2008) to income tax expense was as follows for the years ended December 31:

<i>In millions of Tenge</i>	2009	2008 (restated)
Accounting profit before income tax	(353,621)	681,864
Income tax expense on accounting profit	(70,724)	204,559
Excess profit tax	30,808	57,361
Withholding tax on dividends	59,075	20,268
Tax effect of items, which are not deductible or assessable for taxation purposes	164,160	61,992
Negative goodwill on acquisition	(33,440)	–
Effect of debt restructuring of financial institutions not deductible or not assessable for tax purposes	(61,124)	–
Effect of different corporate income tax rates	(3,741)	(6,600)
Effect of change in income tax rates	(9,910)	(129,322)
Share of nontaxable profit of subsidiaries and associates	(11,859)	(6,567)
Losses from impairment of non-current assets	9,115	2,037
Change in unrecognized deferred tax assets	193,363	(8,173)
Corporate income tax expense reported in the consolidated statement of comprehensive income	265,723	195,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. INCOME TAX EXPENSES (continued)**

Deferred tax balances, calculated by applying the statutory tax rates in effect at the respective balance sheet dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

<i>In millions of Tenge</i>	2009		2009		2009		2008		2008		2007		2007	
	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax (restated)	Excess Profit Tax (restated)	With- holding Tax (restated)	Total (restated)	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax	Excess Profit Tax
Deferred tax assets														
Property, plant and equipment	4,759	-	-	4,759	2,887	-	-	2,887	11,061	-	-	11,061	-	-
Tax loss carryforward	428,158	-	-	428,158	15,109	-	-	15,109	23,429	-	-	23,429	-	-
Employee related accruals	4,337	229	-	4,566	4,997	25	-	5,022	4,821	-	-	4,821	-	-
Impairment of financial assets	22,656	-	-	22,656	4,999	-	-	4,999	807	-	-	807	-	-
Environmental liability	2,307	-	-	2,307	1,063	12	-	1,075	1,418	-	-	1,418	-	-
Other accruals	2,071	-	-	2,071	14,482	-	-	14,482	7,091	-	-	7,091	-	-
Other	52,613	2,673	-	55,286	7,408	95	-	7,503	14,527	4,424	-	18,951	-	-
Less: unrecognized deferred tax assets	(450,433)	-	-	(450,433)	(15,070)	-	-	(15,070)	(24,618)	-	-	(24,618)	-	-
Less: deferred tax assets offset with deferred tax liabilities	(24,079)	(1,072)	-	(25,151)	(22,317)	(132)	-	(22,449)	(31,981)	(4,424)	-	(36,405)	-	-
Deferred tax assets	42,389	1,830	-	44,219	13,558	-	-	13,558	6,555	-	-	6,555	-	-
Deferred tax liabilities														
Property, plant and equipment	175,536	2,787	-	178,323	131,341	132	-	131,473	250,883	34,255	-	285,138	-	-
Undistributed earnings of subsidiaries	2,390	-	34,164	36,554	132	-	2,106	2,238	(39,375)	(27,563)	2,310	(64,628)	-	-
Other	70,339	8	-	70,347	15,837	-	-	15,837	7,529	931	-	8,460	-	-
Less: deferred tax assets offset with deferred tax liabilities	(24,079)	(1,072)	-	(25,151)	(22,317)	(132)	-	(22,449)	(31,981)	(4,424)	-	(36,405)	-	-
Deferred tax liabilities	224,186	1,723	34,164	260,073	124,993	-	2,106	127,099	187,056	3,199	2,310	192,565	-	-
Net deferred tax liabilities	(181,797)	107	(34,164)	(215,854)	(111,435)	-	(2,106)	(113,541)	(180,501)	(3,199)	(2,310)	(186,010)	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**40. INCOME TAX EXPENSES (continued)**

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

<i>In millions of Tenge</i>	2009 Corporate Income Tax	2009 Excess Profit Tax	2009 With-holding Tax	2009 Total	2008 Corporate Income Tax (restated)	2008 Excess Profit Tax (restated)	2008 With-holding Tax (restated)	2008 Total (restated)
Balance at 1 January	111,435	-	2,106	113,541	180,501	3,199	2,310	186,010
Reporting currency translation	10,947	-	428	11,375	115	9	7	131
Charged to equity	10,937	-	-	10,937	290	-	-	290
Acquisitions of subsidiaries (Note 5)	1,647	-	-	1,647	1,801	-	-	1,801
Charged to income statement	46,831	(107)	31,630	78,354	(71,272)	(3,208)	(211)	(74,691)
Balance at 31 December	181,797	(107)	34,164	215,854	111,435	-	2,106	113,541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**41. CONSOLIDATION**

The following significant subsidiaries have been included in these consolidated financial statements:

	Ownership percentage		
	2009	2008 (restated)	2007
National Company KazMunayGas JSC and subsidiaries	100.00%	100.00%	100.00%
National Company Kazakhstan Temir Zholy JSC and subsidiaries	100.00%	100.00%	100.00%
National Atomic Company Kazatomprom JSC and subsidiaries	100.00%	100.00%	100.00%
Kazakhtelecom JSC and subsidiaries	51.00%	51.00%	51.00%
Samruk-Energy JSC and subsidiaries	100.00%	100.00%	100.00%
Kazakhstan Electricity Grid Operating Company JSC and subsidiaries	100.00%	100.00%	100.00%
Air Astana JSC	51.00%	51.00%	51.00%
BTA Bank JSC and subsidiaries	75.10%	–	–
Alliance Bank JSC and subsidiaries	100.00%	–	–
Development Bank of Kazakhstan JSC and subsidiaries	100.00%	100.00%	100.00%
Entrepreneurship development Fund "Damu" JSC	100.00%	100.00%	100.00%
Kazyna Capital Management JSC and subsidiaries	100.00%	100.00%	100.00%
Zhilstroisberbank Kazakhstan JSC	100.00%	100.00%	100.00%
Kazpost JSC	100.00%	100.00%	100.00%
Doszhan Temir Zholy JSC	85.97%	–	–
Kamkor LLP and subsidiaries	100.00%	100.00%	100.00%
Investment Fund of Kazakhstan JSC	100.00%	100.00%	100.00%
National Innovation Fund JSC and subsidiaries	100.00%	100.00%	100.00%
KazMorTransFlot JSC and subsidiaries	100.00%	100.00%	100.00%
National Company Kazakhstan Engineering JSC and subsidiaries	100.00%	100.00%	100.00%
Real estate fund Samruk-Kazyna JSC	100.00%		
State Corporation for Insurance of Export Credit and Investments JSC	100.00%	100.00%	100.00%
Kazakhstan Fund of Guarantee of mortgage loan JSC	100.00%	88.70%	88.70%
International Airport Aktobe JSC	100.00%	100.00%	100.00%
Samruk-Kazyna Contract LLP	100.00%	100.00%	100.00%
SK Farmatsiya LLP	100.00%	–	–
National mining company Tau-Ken Samruk and subsidiaries	100.00%	–	–
Kazakh Research power engineering Institute named after Chokin JSC	50%+1	50%+1	50%+1
Corporation for Export Development and Promotion "KAZNEX» JSC	–	100.00%	100.00%
United Chemical Company LLP and Subsidiaries	100.00%	–	–
Samruk-Kazyna Invest LLP	100.00%	100.00%	100.00%
KOREM JSC	100.00%	100.00%	100.00%
International airport Atyrau JSC	100.00%	100.00%	100.00%
Airport Pavlodar JSC	100.00%	100.00%	100.00%
Kazakhstan Center of Investment Assistance "KazInvest" LLP	100.00%	100.00%	100.00%
National Company Social-Entrepreneurship Corporation "Batys" JSC*	100.00%	100.00%	100.00%
National Company Social-Entrepreneurial Corporation "Caspiy" JSC*	48.54%	73.04%	100.00%
National Company Social-Entrepreneurship Corporation "Zhetysu" JSC*	28.86%	48.46%	100.00%
National Company Social-Entrepreneurship Corporation "Ontustik" JSC*	36.55%	52.87%	100.00%
National Company Social-Entrepreneurship Corporation "Saryarka" JSC*	79.11%	79.49%	100.00%
National Company Social-Entrepreneurship Corporation "Tobol" JSC*	36.41%	42.43%	100.00%
National Company Social-Entrepreneurship Corporation "Ertis" JSC*	43.29%	74.12%	100.00%

*As at December 31, 2009 these subsidiaries were classified as assets, classified as held for sale and distribution to the Shareholder (Note 6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**42. SIGNIFICANT NON-CASH TRANSACTIONS**

In 2009, the Group settled in crude oil 10,831 million Tenge due under the terms of a pre-export financing agreement (2008: 17,863 million tenge). This transaction has been excluded from the consolidated statement of cash flows.

In 2009, Kazakhtelecom and NC KTZh received telecommunication equipment with a value of 9,821 million Tenge (2008: 9,398 million Tenge) under finance lease agreements. This transaction has been excluded from the consolidated statement of cash flows.

In 2009, the Group capitalised borrowing costs of 3,213 million Tenge (2008: 4,468 million Tenge) (*Note 7*). This transaction has been excluded from the consolidated statement of cash flows.

Property, plant and equipment purchased in 2009 in the amount of 3,152 million Tenge was not paid in 2009 (2008: 1,219 million tenge). Acquisition of property, plant and equipment against bank loans in 2009 totaled to 385 million tenge (2008: 3,218 million tenge).

In 2009, the Group received from the Shareholder shares of subsidiaries for the total amount of 222,030 million Tenge as the contribution to the charter capital (2008: 31,899 million Tenge). This transaction has been excluded from the consolidated statement of cash flows.

In 2008, in accordance with the terms of loan agreements, lenders made payments of 6,287 million Tenge directly to the Kazakhtelecom's suppliers of property, plant and equipment. This transaction has been excluded from 2008 consolidated statement of cash flows.

43. RELATED PARTY DISCLOSURES

In accordance with IAS 24 "Related Party Disclosures", 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

<i>In millions of Tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities	Other related parties
	2009	9,531	33,354	2,452	8,028
	2008	18,280	15,291	2,390	50
Due from related parties	2007	7,029	7,592	573	294
	2009	8,938	44,516	15,991	3
	2008	8,283	7,445	7,355	18,708
Due to related parties	2007	7,202	9,438	47	265
	2009	36,583	39,467	1,140	660
Sale of goods and services	2008	34,852	21,231	828	1,489
	2009	13,752	89,676	15,070	6,470
Purchase of goods and services	2008	20,073	60,548	9,417	202
	2009	–	–	–	329
Current accounts and deposits (liability)	2008	–	–	–	–
	2007	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**43. RELATED PARTY DISCLOSURES (continued)**

<i>In millions of Tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state- controlled entities	Other related parties
	2009	986,701	–	549,576	–
Current accounts and deposits (asset)	2008	–	–	705,505	156,154
	2007	–	–	16,177	–
	2009	5,383	–	3,434	111
Loans given	2008	–	–	–	–
	2007	–	–	–	–
	2009	20,940	–	243,389	–
Loans received	2008	–	–	41,623	11,954
	2007	–	–	26,375	–
	2009	58	–	52,069	3,641
Financial assets	2008	45,689	–	7,426	–
	2007	–	–	39,456	–
	2009	234	–	–	–
Financial liabilities	2008	–	–	–	–
	2007	–	–	–	–
	2009	67,829	–	3,058	2
Interest received	2008	265	–	4,368	–
	2007	–	–	–	–
	2009	676	–	11,346	31
Interest accrued	2008	–	–	231	–
	2007	–	–	–	–

Some of the Group's borrowings of 37,430 million Tenge, were guaranteed by the Government of the Republic of Kazakhstan (2008: 27,895 million Tenge).

Total compensation to key management personnel included in personnel costs in the accompanying consolidated statement of comprehensive income was 5,661 million Tenge for the year ended 31 December 2009 (2008: 6,702 million Tenge). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

As discussed in *Note 29*, the Government provides certain subsidies to the Group's subsidiaries.

During 2009 the Fund received from the Government loans, bearing lower-than-market interest rates. Bonds discount at initial recognition in the amount of 461,255 million Tenge was recognized in the consolidated statement of changes in equity (*Notes 18 and 20*).

44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, cash and 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 and liquidity risk arising from all financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash, investments and borrowings are denominated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Interest Rate Risk (continued)**

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term debt obligations with floating interest rates (*Note 19*).

The following table demonstrates the sensitivity of to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and equity (through the impact on the fair value of investments available for sale).

<i>In millions of Tenge</i>	Increase / (decrease) in basis points*	Effect on profit /loss	Other effect on equity
2009			
US dollar	+ 100/ -25	1,560/(367)	(1,527)/475
Tenge	+ 100/ -25	4,722/(1,180)	(550)/137
2008			
US dollar	+ 50/ -50	(3,122)/3,122	(897)/948
Tenge	+ 50/ -50	130/(130)	(266)/274

* 1 basis point = 0.01%

Currency risk

As a result of significant borrowings, lease liabilities and accounts payable, cash and cash equivalents and accounts receivable denominated in the US Dollars, the Group's consolidated balance sheet can be affected significantly by movement in the US Dollar / Tenge exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, with all the variables held constant, of the Group's profit before income tax and equity (due to changes in the fair value of monetary assets and liabilities).

<i>In millions of Tenge</i>	Increase / decrease in exchange rate	Effect on profit /loss
2009		
US dollar	+10%/ -15%	(207,041)/310,550
Euro	+10%/ -15%	(27,186)/42,422
2008		
US dollar	+25%/+40%	(188,789)/(302,063)
Euro	+25%/+40%	(5,394)/(8,630)

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 loans to customers (*Note 10*), amount due from credit institutions (*Note 11*), trade accounts receivable and other current assets (*Note 16*), other financial assets (*Note 12*), bank deposits (*Note 13*) and VAT recoverable (*Note 14*), net of allowances for impairment recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit Risk (continued)**

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 minimised by the fact that the Group operates on a prepayment basis with the majority of its customers.

The Group does not guarantee the obligations of other parties.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments.

<i>In millions of Tenge</i>	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years	Total
At December 31, 2009						
Loans from the Government	408,603	2,490	185,103	39,491	713,514	1,349,201
Borrowings	979,679	361,384	308,725	2,643,952	732,296	5,026,036
Finance lease liabilities	81	2,686	7,571	17,920	5,039	33,297
Due to customers	140,233	18,928	64,297	223,107	26,364	472,929
Trade accounts payable	145,219	63,386	39,604	1,784	634	250,627
Derivatives	2,863	–	1,369	41,968	–	46,200
Income tax payable	–	–	33,123	–	–	33,123
Other liabilities	102,410	50,129	62,490	420,400	130,339	765,768
	1,779,088	499,003	702,282	3,388,622	1,608,186	7,977,181
At December 31, 2008 (restated)						
Loans from the Government	140	127	1,144	19,481	48,957	69,849
Borrowings	24,147	106,118	289,677	1,610,440	446,050	2,476,432
Finance lease liabilities	104	1,780	5,579	17,770	6,870	32,103
Due to customers	7,996	735	2,290	8,521	11,686	31,228
Trade accounts payable	83,033	124,814	31,020	353	–	239,220
Derivatives	19	1	14,906	3	7,463	22,392
Income tax payable	–	–	58,131	–	–	58,131
Other liabilities	44,997	19,652	23,754	30,447	396,171	515,021
	160,436	253,227	426,501	1,687,015	917,197	3,444,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Capital Management**

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators ("KPI") used by the Group to manage capital of its subsidiaries are ratios of: Net Debt to Net Capitalization ("ND/NC"); Net Debt to Earnings before Taxes, Depreciation and Amortization, and Interest ("ND/EBITDA"); and Net Debt to Equity ("ND/E"). Net Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiary reduced by value of cash and cash equivalents. Net Capitalization is considered to be equal to Net Debt and Equity. Equity is considered to be equal to the entire equity of the subsidiary attributable to a majority shareholder.

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI's for the Group have been presented for reference purposes as the Group does not monitor KPI's on the consolidated level):

KPI	2009	2008
ND/NC	0.48	0.14
ND/EBITDA	3.68	0.59
ND/E	0.92	0.16
<i>In billions of Tenge</i>		
Borrowings	3,329	1,712
Loans from the Government	877	65
Payable for the acquisition interest in project	312	239
Finance lease liabilities	32	24
Due to customers	429	29
Derivatives	144	22
Less: Cash and cash equivalents	(1,311)	(1,454)
Net debt	3,812	637
Borrowings	3,329	1,712
Loans from the Government	877	65
Payable for the acquisition interest in project	312	239
Finance lease liabilities	32	24
Due to customers	429	29
Derivatives	143	22
Equity attributable to shareholder of the Group	4,142	3,930
Less: Cash and cash equivalents	(1,311)	(1,454)
Net capitalization	7,953	4,567
Profit before income tax	(354)	682
Interest on loans and debt securities issued	144	110
Interest on finance lease obligations	3	2
Depreciation, depletion and amortization	209	188
Impairment loss	1,033	90
EBITDA	1,035	1,072
Total equity	4,746	4,496
Less: Minority interests	(604)	(566)
Equity attributable to the shareholder of the Group	4,142	3,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair Values of Financial Instruments**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments:

<i>In millions of Tenge</i>	Level 1	Level 2	Level 3	December 31, 2009
Financial instruments category				
Available-for-sale financial assets	61,279	68,899	13,373	143,551
Financial assets at fair value through profit /loss	–	–	4,411	4,411
Trading securities	106,194	20,163	5,832	132,189
Derivative financial assets	–	26,182	–	26,182
Derivative financial liabilities	–	143,525	–	143,525

<i>In millions of Tenge</i>	Level 1	Level 2	Level 3	December 31, 2008
Financial instruments category				
Available-for-sale financial assets	110,735	14,487	632	125,854
Financial assets at fair value through profit /loss	376	–	20,173	20,549
Trading securities	–	–	–	–
Derivative financial assets	–	–	–	–
Derivative financial liabilities	–	22,477	–	22,477

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2009 is presented as follows:

	Available-for-sale financial assets	Financial assets at fair value through profit /loss	Trading securities	Total financial assets
2009				
Beginning of the reporting period	632	20,173	–	20,805
Total profit /(loss) recognized in profit /losses	(4,705)	(6,114)	928	(9,891)
Total profit /(loss) recognized in other comprehensive income	9,597			9,597
Acquisition through business combinations			4,904	4,904
Acquisition	1,110			1,110
Sale		(2,636)		(2,636)
Transfer from Level 1 and Level 2	6,739			6,739
Transfer to assets classified as held for sale		(7,013)		(7,013)
Ending of the reporting period	13,373	4,411	5,832	23,616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**44. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair Values of Financial Instruments (continued)**

<i>In millions of Tenge</i>	2009
Transfers from, Level 1 to Level 2	
Available-for-sale financial assets	1,007
Trading securities	9,626
Total	10,633

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments. The table does not contain fair value of non-financial assets and liabilities:

<i>In millions of Tenge</i>	Carrying value		Fair value	
	2009	2008	2009	2008
Financial assets				
Loans to customers	1,500,814	226,578	1,490,474	226,578
Amounts due from credit institutions	474,403	170,609	474,403	170,609
Financial assets	416,437	331,995	416,437	333,457
Bank deposits	982,424	624,815	982,424	624,820
Trade accounts receivable	201,712	158,326	201,712	158,326
Cash and cash equivalents	1,311,082	1,453,891	1,311,082	1,449,485
Financial liabilities				
Borrowings	3,328,653	1,712,358	2,876,607	1,734,514
Loans from the Government of the Republic of Kazakhstan	876,813	65,210	955,785	65,210
Finance lease liabilities	31,974	23,839	31,974	23,839
Amounts due to the customers	429,085	28,883	429,085	28,872
Derivatives	142,525	22,477	143,525	22,477
Trade accounts payable	248,103	222,311	248,103	222,311
Other non-current liabilities	396,000	295,815	396,000	295,815

The fair value of interest-bearing borrowings obtained and issued has been calculated by discounting the expected future cash flows at prevailing interest rates.

The carrying amount of cash, other current assets and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

45. COMMITMENTS AND CONTINGENCIES**Legal proceedings**

BTA Bank is in the process of a legal dispute with CJSC Investment Holding Company ("IHC"), a Kyrgyzstan registered entity. The total amount of this dispute is GBP 30,418,144 equivalent to KZT 7,400 million.

In June 2009, Central Asia Investment Company ("CAIC"), a Kyrgyzstan registered entity and a 100% subsidiary of IHC, obtained a loan from its parent, IHC, of GBP 8,670,000 with an intended use to purchase Kyrgyzstan state securities. CAIC, in violation of the intended purpose of the loan from its parent, used these funds to purchase bonds of TuranAlem Finance B.V. (TAF B.V.), the Bank's subsidiary, at significant discount on the market. The nominal value of purchased bonds was GBP 28,395,000 and accrued interest was GBP 2,023,144. CAIC defaulted on its loan payable to IHC. As a result, IHC filed a lawsuit against BTA Bank, BTA Bank Kyrgyzstan and TAF B.V. claiming a repayment of the full nominal value and interest accrued on bonds of TAF B.V. In accordance with the decision of Bishkek's district court, Bishkek's municipal Court of appeals and the Supreme Court of Kyrgyzstan dated 11 September 2009 BTA is obliged to pay the full amount and IHC started to collect the funds from BTA, a guarantor on bonds of TAF B.V., including the BTA's shares in BTA Bank Kyrgyzstan and amounts due to the BTA Bank by BTA Bank Kyrgyzstan.

This decision was made even though in September 2009 BTA was in process of negotiating the restructuring of its debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (CONTINUED)****Legal proceedings (continued)**

In December 2009, an officer of the court foreclosed on shares held by BTA in BTA Bank Kyrgyzstan, which resulted in loss of control over "BTA Bank" CJSC (Kyrgyzstan). Therefore, the management of BTA decided to deconsolidate "BTA Bank" CJSC (Kyrgyzstan) as at the end of 2009.

BTA management believes that the decision of Kyrgyzstan courts was not in compliance with international laws and legislation between the Republic of Kazakhstan and Kyrgyzstan. Moreover, the foreclosure was executed with violations of the Law of Kyrgyzstan.

On November 5, 2009 BTA Bank with support of its controlling shareholder has filed a claim with the Kyrgyzstan government for compensation of damages incurred as a result of illegal acts of Kyrgyz legal and government entities.

Environment liabilities

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. Other than those amounts provided for in provisions (*Note 23*) management believes that there are no probable or possible environmental liabilities which could have a material adverse effect on the Group's consolidated statement of comprehensive income or statement of cash flows.

Environmental obligations of KazAtomProm

In accordance with "the Implementing Agreement between the Department of Energy of the United States of America and the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan " dated December 19, 1999, the governments of the United States of America and Kazakhstan have assumed responsibility for decommissioning reactor BN – 350, which is owned by KazAtomProm, and for storing the reactor's nuclear fuel rods. Under the Agreement, the US Government has undertaken to obtain financing from international organizations including Technical Assistance for CIS countries (TACIS) of the European Union, Precioso (France), Canberra (Belgium), and ALSTOM (France), and domestic not-for-profit organizations, Scientific Production Centre BYaT and KATEP JSC. The estimated commitments for decommissioning and reclamation of the atomic reactor BN-350 in its entirety are KZT 35,000 million. However, the Government of the Republic of Kazakhstan will not grant this amount to KazAtomProm; therefore, the issue on further financing of this program has no solution. The Government of the Republic of Kazakhstan is to fulfill certain obligations agreed with the International Atomic Energy Agency.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances tax reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2009.

As at December 31, 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements (*Notes 4 and 23*).

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on a market price determined in accordance with the arm's length principle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Taxation (continued)***Transfer pricing control (continued)*

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2009.

As at December 31, 2009 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax audit of Exploration Production KazMunayGas JSC (EP KMG, subsidiary of NC KMG)

E&P KMG underwent a comprehensive tax audit by the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan for the 2004 and 2005 years. As a result of the tax audit, which was commenced in 2007 and completed in August of 2009, the tax authorities have provided a tax assessment of 32,005 million Tenge, representing 16,171 million Tenge of the amount was for underpaid taxes, 8,035 million Tenge represented administration penalties due to tax violation and a further 7,800 million Tenge was for late payment interest.

The Group's management believes its interpretations of the tax legislation were appropriate and that EP KMG has justifiable arguments for its tax positions and will dispute the tax assessment to the fullest extent possible under the law of the Republic of Kazakhstan. On September 15, 2009 EP KMG filed an appeal against the results of the above comprehensive tax audit with the Ministry of Finance. As a result, on February 9, 2010 the Ministry of Finance issued a new ruling whereby the principal tax assessment was reduced to 3,847 million Tenge and the corresponding late payment interest was reduced to 3,937 million Tenge (administration fines will likely follow). In light of this positive recent development, management is currently evaluating their options with respect to further appeals. On March 4, 2010 EP KMG addressed a letter of complaint to the Specialised regional economical court of Astana city, in order to appeal in full the remaining additionally accrued tax amount. On March 12, 2010 the Tax Committee of the Ministry of Finance made available to EP KMG modified copy of Notification. The amount of accrued tax was increased up to 10,766 million Tenge, and corresponding fine was decreased to 3,885 million Tenge. EP KMG is intended to appeal this amount in full.

However, management believes the further outcome of the dispute is uncertain and further believes that EP KMG may not be entirely successful in their appeals due to the ambiguity contained in the tax legislation and a history of varying interpretations and inconsistent opinions of the authorities. Management has therefore accrued for certain matters that arose in the assessment. As at December 31, 2009 EP KMG accrued 7,286 million Tenge relating to the assessment for the 2004 and 2005 years and a further 4,136 million Tenge for these matters in the periods of 2006 through 2009, including late payment interest (*Note 23*).

Customs claim EP KMG

On August 18, 2009 the customs committee of the Republic of Kazakhstan presented a claim to EP KMG of 17,575 million Tenge for underpaid export customs duty (including the principal of 15,260 million Tenge and the late payment interest of 2,315 million Tenge). This claim relates to January 2009 export shipments of crude oil, on which rent tax was fully paid per the regulations of the Republic of Kazakhstan, declared for customs clearance in December 2008.

On September 23, 2009 EP KMG filed the appeal with the court of first instance. On December 1, 2009 the court of first instance ruled in favor of EP KMG. However, on January 20, 2010 the appeal filed by the customs committee was satisfied by the court of second instance. On February 8, 2010 EP KMG filed the further appeal with the third instance court. On March 9, 2010 court of cassation upheld the court ruling dated January 20, 2010. Currently, EP KMG is in the process of making a complaint to the Oversight Body of the Supreme Court of the Republic of Kazakhstan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Taxation (continued)***Customs claim EP KMG (continued)*

EP KMG management believes that the laws and regulations of the Republic of Kazakhstan do not allow for double taxation and therefore export customs duty can ultimately not be accrued on volumes of crude for export from January 1, 2009 (date of enactment of new tax code) on which rent tax has been accrued and paid. Management further believes that they will ultimately prevail in this matter and therefore no amounts have been accrued in the consolidated financial statements for the year ending December 31, 2009.

Tax liabilities of Kazakhstan Temir Zholy JSC (KTZh, subsidiary of the Group)

In 2007-2008 KTZh underwent a comprehensive tax audit by tax authorities for the period of 2003-2006. As a result of these audits the tax authorities have furnished an act, which requires additional tax accruals, fines and penalties of 14,270 million Tenge. However, KTZh considers such additional tax accruals to be groundless, and appeals the results in a court. KTZh accrued tax liability of 3,929 million Tenge, which according to KTZh represents the amount with high probability of future payments.

Commitments under oilfield licenses and contracts

The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses and related subsoil use contracts. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties, license limitation, suspension or revocation. The Group's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Group's consolidated statement of comprehensive income or statement of cash flows.

Some of the Group's subsurface use contracts specify a minimum level of expenditures through the end of the license period. Each of the subsurface use contracts also requires the Group to agree with the local governments annual business plans, which include capital and social infrastructure projects.

Oilfield licenses and contracts of EP KMG, including KazGerMunay LLP (KGM, 50% joint venture of EP KMG):

Year	Capital expenditures	Operational expenditures
2010	79,160	5,733
2011	841	4,013
2012	-	4,013
2013	-	4,013
2014-2021	-	22,840
Total	80,001	40,613

Commitments under exploration contracts of KazMunayTeniz JSC (KMT, subsidiary of NC KMG)

According to the terms of exploration contracts signed with Government bodies, KMT has certain commitments on fulfillment of minimal work programs under related oil and gas projects. As at December 31, 2009, KMT had commitments under 2010 minimal work programs amounting to US dollar 79,720 thousand (equivalent to 11,827 million Tenge).

Commitments under hydrocarbon exploration contracts of NC KMG

According to the terms of exploration contracts signed by NC KMG with Government bodies, NC KMG has certain commitments on fulfillment of minimal work programs under related oil and gas projects. As at December 31, 2009 NC KMG had commitments under minimal work programs totaling 1,879 million Tenge (2008: US Dollars 178,738 thousand and 1,425 million Tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Local market obligations**

The Kazakhstan Government requires oil producers and oil trading companies to supply a portion of their crude oil and oil products to meet domestic energy requirements on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural products producers during the spring and autumn sowing campaigns. Local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, financial condition and results of operations.

Crude oil supply commitments

As at December 31, 2009 EP KMG had commitments under a government directive to deliver 2.2 million tons of crude oil to local markets in 2009 (2.2 million tons in 2008), which is further processed by the Group's refineries for production of refined products for the local market discussed below.

Oil products supply commitments

During the first three months of 2010 TH KMG is required to supply 425.3 thousand tons of oil products for the total amount of 38,962 million Tenge to maintain the balance of oil products supply on the local market. In addition, during the spring of 2010 TH KMG is required to supply 76 thousand tons of diesel fuel to agricultural producers for spring sowing campaign for the total amount of 5,610 million Tenge. The values of commitments were estimated based on prices established by the Government. The remaining local market obligation of TH KMG for 2010 is to be determined by the Government in the nearest future.

Capital commitments

As at December 31, 2009 the Group had contractual obligations for construction projects and purchase of property, plant and equipment of approximately 243,003 million Tenge (2008: 50,592 million Tenge). In addition, as at December 31, 2009 the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 38,665 million Tenge (2008: 57,083 million Tenge).

Capital expenditures of KMG Kashagan B.V.

As at December 31, 2009, KMG Kashagan B.V. had contractual obligations on acquisition, construction and development of its interest in North Caspian Project for a total amount of US dollar 1,756,302 thousand (2008: US dollar 1,700,381 thousand).

Capital commitments of TH KMG

The capital commitments of TH KMG at December 31, 2009 were as follows:

Year	Capital expenditures
2010	69,075
2011	73,411
2012	45,992
2013	109
2014	54
Total	188,641

Capital commitments mainly relate to projects related to reconstruction, capacity increase and compliance with Euro standards of TH KMG refineries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Investment and other obligations of Intergas Central Asia JSC ("ICA", subsidiary of KazTransGas JSC) under the Agreement with the Government***Investments for the improvements of gas transportation assets*

Under the terms of the Agreement with the Government, ICA has an obligation to invest US\$30 million each year (4,451 million Tenge at 148.36 Tenge to US\$1 as of December 31, 2009) for the improvement and repair of the gas transportation assets transferred and for investments in new gas transportation assets. In accordance with the terms of the Agreement with the Government, ICA will be reimbursed for the net book value of the above investments at the time the Agreement with the Government expires. As of December 31, 2009 ICA had approximately 5,282 million Tenge in contractual commitments related to this investment obligation (2008: 4,700 million Tenge).

This investment obligation is contingent upon the fulfilment of certain conditions. One of them is that the physical throughput of gas remains stable or increases from its 1996 level and another, that the ongoing business conditions of gas transport contracts with foreign customers remains on as favourable terms as they were prior to establishment of the Agreement with the Government. If gas tariffs and cash payment defaults by customers make it impractical to carry out improvement and investment, ICA is entitled to apply to the Government of Republic of Kazakhstan for an adjustment of the domestic tariff or an adjustment to the level of its investment obligations. As of 31 December 2009 ICA complied with these conditions.

Royalty

From July 17, 1997, ICA is obliged to pay a royalty to the Republic of Kazakhstan amounting to approximately 2% of the throughput of gas in the Western System. However, in accordance with the Agreement with the Government, this payment is only due and payable for the Western System after the issue by the Government of Republic of Kazakhstan Resolution or order of the Ministry of Finance advising the customers of the Western System of their obligation to pay the royalty to ICA. As of December 31, 2009, no such decree had been issued. Due to the uncertainty surrounding the implementation of the royalty, ICA has to date not been charging royalty to its customers.

Also, ICA has not received any indication from the Government of the Republic of Kazakhstan authorities that royalties should have been or should be charged, nor that ICA is liable for any past royalty amounts.

Management is working to clarify the matter with the Government of Republic of the Kazakhstan and believes that no past or future royalties will be payable by ICA or its customers.

Kyrgyz By-Pass

The Group is obliged, depending on certain conditions, which include tariff recovery, to design and construct the Kyrgyz By-Pass at a cost, which was estimated in the Agreement, of approximately US \$90 million to US\$100 million. This asset will be transferred to the Republic of Kazakhstan at the later of the end of the term of the Agreement or after twenty years from the completion for US\$1. Construction of this bypass has not yet begun.

Management believes that they have taken all necessary steps to fulfil the Group's obligations in this respect, as well as considering the issue of taking into management a part of gas-pipeline belonging to the Kyrgyz Republic. However, the new domestic tariffs which, per the Agreement, are a precondition for the commencement of construction of the Kyrgyz By-Pass, have not been published as of December 31, 2009.

The Government of the Republic of Kazakhstan reviews the Group's compliance with its obligations under the Agreement, including the fulfilment of the investment commitments. The review of the Group's compliance with its obligations under the Agreement with Government for 2009 will be performed in 2010. The management believes that as of December 31, 2009 the Group is in compliance with investment requirements.

Prior to December 31, 2005, the Group paid to the Government 10% of its net profits under the Agreement with the Government. On March 31, 2006 the Republic of Kazakhstan, as represented by the Ministry of Finance and the Group signed the contract for amendments (the "Amendments") to the Agreement. According to the Amendments, during the period from January 1, 2008 to December 31, 2012 and the 5-year optional extension period, the annual payment shall be agreed at the beginning of each period, in case it is not agreed, the Group shall pay 2,082 million Tenge per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Legal title for KTZh railway assets**

The Group participated in construction of "Khromtau-Altynsarin" railway (the "Project"), which connects the western and northern parts of the Republic of Kazakhstan and thus links the railway infrastructure of the Republic of Kazakhstan into one network. The construction of this railway was initiated by the Ministry of Transportation and Communication of the Republic of Kazakhstan by granting 64% of financing from the state budget, and the residual amount at the expense of KTZh. Total cost of assets financed by the State within the project was 21,014 million Tenge. After completion of the construction KTZh recorded the full cost of construction within railway assets in the consolidated balance sheet. Recognition of assets was made on the basis of representation by the Ministry of Transport and Communication with respect to transfer of these assets to KTZh.

In April 2010 KTZh received a letter from the Ministry of Finance of the Republic of Kazakhstan, which stated that recording of assets is the violation accounting and preparation of reporting, since KTZh does not have legal right to use these assets. KTZh once again received confirmation from the Committee of State Assets and Privatisation of the Ministry of Finance as to the fact that these assets will be transferred to the charter capital of KTZh. Accordingly, KTZh believes that recognition of these assets is appropriate.

Operating lease commitments

Operating lease commitments relate mainly to aircraft lease with the lease term from 5 to 6 years. All operating lease contracts contain market review clauses in the event that Air Astana exercises option to renew. Air Astana does not have the option to purchase leased assets at the expiry of lease period.

As at December 31, operating lease commitments were as follows:

<i>In millions of Tenge</i>	2009	2008
Within one year	20,657	12,919
From 1 to 5 years	45,231	32,978
Over 5 years	2,834	5,785
Total	68,722	51,682

Operating lease commitments include fixed rental payments and variable rental payments which vary according to flying hours and cycles.

The fixed and variable rental payments are denominated and settled in US dollars. This currency is routinely used in international commerce for aircraft operating leases.

Loans covenants*Covenants of NC KMG*

In 2008-2009 NC KMG issued US\$ 4.5 billion bonds. According to the bond issuance terms, NC KMG has to comply with the following financial covenant:

- a ratio of consolidated net indebtedness to consolidated EBITDA of not more than 3.5:1.

In addition, NC KMG as a Guarantor has to comply with certain non-financial covenants.

Covenants of TH KMG

In 2008 TH KMG concluded a credit facility agreement for the amount of US Dollar 2.5 billion from a syndicate of eight banks. The facility is fully guaranteed by NC KMG. According to the facility agreement concluded between TH KMG and the syndicate, NC KMG has to comply with certain covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Loans covenants (continued)***Covenants of KTO***Guarantees**

At December 31, 2009 KTO has guaranteed to EBRD in respect of the obligations of KTO's joint venture "MunayTas" JSC under the loan agreement with EBRD. According to the Guarantee Agreement concluded between KTO and EBRD, KTO has to comply with the following covenants:

- Current Ratio of not less than 1:1;
- Ratio of Earnings before interest, income tax, depreciation and amortization to Interest of not less than 2:1; and
- Ratio of Debt to Equity of not more than 2:1;

In addition, KTO shall not create any restrictions other than those permitted by EBRD. KTO shall not enter into any transactions that are not based on arm's-length arrangements unless it is approved by regulatory bodies. KTO shall not sell, lease or dispose its assets in excess of 30% of total assets or undertake any merger or reorganization.

Borrowings

On August 28, 2008 KTO has concluded a syndicated loan facility agreement with BTMU (Europe) Limited, ING Bank N.V. and Natixis (the "Creditors") for amount of 275 million US Dollars (Note 17). According to the Loan facility Agreement concluded between KTO and the Creditors, KTO has to comply with the following covenants:

- Current ratio of not less than 1:1;
- a ratio of Financial Debt to Earnings before interest, income tax, depreciation and amortization of not more than 3,5:1;
- a ratio of Financial Debt to Equity of not more than 2:1;
- a ratio of Earning before interest, income tax to total debt costs of not more than 2:1.

Kazakhtelecom license commitments

Under the terms of certain licenses on the provision of wireless telecom services, Kazakhtelecom has certain obligations in terms of coverage area of its network. Kazakhtelecom is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. Kazakhtelecom's management believes that Kazakhtelecom is in compliance with the terms of the licenses.

Commitments to sell a share in MTS

As discussed in *Note 6* Kazakhtelecom concluded an agreement to sell its shares in MTS to a Swedish mobile operator. In accordance with the sales-purchase agreement, the transaction is to be closed by March 31, 2010.

Commitments to extend loans, guarantees, letters of credit and other commitments related to settlement operations

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities and are cancellable on certain conditions.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (continued)****Commitments to extend loans, guarantees, letters of credit and other commitments related to settlement operations (continued)**

<i>In millions of Tenge</i>	2009	2008
Contracted amount		
Loan, credit line and finance lease commitments	630,555	124,399
Guarantees	84,911	241
Letters of credit and other commitments related to settlement operations	47,597	14,847
Less: Guarantees and deposits with restrictive covenants	(11,940)	-
Less: Provision for bank letters of credit and guarantees (Note 23)	(59,127)	-

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded, as well the Group could request collateral for credit instruments.

Trust management

The Group provides trust management services to individuals, trust companies, pension funds and other organizations, specifically it manages assets or invests of received funds into different financial instruments in accordance with a customer instructions. The Group receives commission fee for such services. Assets received for trust management are not assets of the Group, accordingly, they are not reflected in its consolidated balance sheet. The Group does not bear credit risk when conducting such investments, since it does not issue guarantees against said investments.

The National Security Committee investigation

In 2009, the National Security Committee of the Republic of Kazakhstan, under supervision of the General Prosecutor, commenced an investigation against the former Chief Executive Officer of KazAtomProm and other former employees of KazAtomProm and its subsidiaries. The investigation related to allegations mainly concerned with asset embezzlement and illegal sale of certain uranium deposits to affiliated offshore companies. On March 12, 2010 the court sentenced the former chief executive to 14 years imprisonment. The prosecutor's office announced in March 2010 that there was a new investigation into allegations that the former chief executive was involved in money laundering. Further investigations may be initiated. The management believes that these investigations and allegations do not have any effect on KazAtomProm's financial statements, as they are initiated against former management and not KazAtomProm.

Liabilities under Stabilization Plan

The Fund was assigned as the Government's main operator in implementation of the Stabilization Plan approved by the Government in 2008. As at December 31, 2009 commitments for measures on financial sector stabilization and small and medium business support were accomplished.

Settlement of real estate market issues

The Government made a decision to provide funds for stabilization of real estate market. The Government assigned the Fund to place deposits with second-tier banks and provide direct financing to construction companies. As at December 31, 2010 commitment to provide financing for completion of ongoing construction and acquisition of completed housing through the Fund and its subsidiaries amounted to 177,684 million Tenge.

Implementation of innovation, industrial and infrastructure projects

As at December 31, 2009 115,000 million Tenge were contributed to the share capital of Development Bank of Kazakhstan JSC for the purposes of financing of innovation, industrial and infrastructure projects. As at December 31, 2009 Fund's commitments to provide financing to innovation, industrial and infrastructure projects amounted to 92,800 million Tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**45. COMMITMENTS AND CONTINGENCIES (CONTINUED)***Commitments under debt restructuring*

In accordance with the Agreement on Intentions between BTA Bank, its creditors and the Fund dated December 7, 2009, the Fund is obliged to convert liabilities of BTA Bank to the Fund totalling to 644,000 million Tenge and accrued interest of 26,000 million Tenge to the common shares of BTA Bank.

On December 15, 2009 creditors of Alliance Bank holding 95.1% of the total bank's financial debt approved bank's debt restructuring plan.

In accordance with the restructuring terms, the Fund is obliged to convert liabilities of Alliance Bank to the Fund totaling to 105,000 million Tenge to the preferred shares of Alliance Bank and recapitalize Alliance Bank through acquisitions of ordinary shares for the total amount of 24,000 million Tenge. In addition, Alliance Bank and the Fund are obliged to provide creditors of the bank with such a quantity of ordinary and preferred shares to ensure proportion between shares of the Fund and other creditors (except for the Fund) of 67% and 33%.

In accordance with the decision of the Fund's Management Board No. 115/09 dated December 22, 2009, the Fund undertaken a commitment to assist the bank in maintaining liquidity during the debt restructuring, so that the bank meets prudential norms of FMSA.

46. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has six reportable operating segments as follows:

Oil and Gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products.

Mining segment includes operations related to exploration, mining, processing and sales of uranium, beryllium and tantalum.

Transportation segment includes operations related to railway and air transportation of cargo and passengers.

Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.

Energy segment includes operations related to production and distribution of electricity within Kazakhstan, function of oversight over the input of electricity into the energy system and consumption of imported electricity, function of centralised operation and dispatch of facilities in the Unified Electricity System of the Republic of Kazakhstan.

Financial and Innovation Institutions segment includes operations related to development and stimulation of investment and innovation activities in all segments of the economy of Republic of Kazakhstan.

Certain of the above-mentioned reportable segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The remaining operating segments have been aggregated and presented as Other segments due to their insignificance. Operations of Samruk-Kazyna have been included in the Financial and Innovation Institutions segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**46. SEGMENT REPORTING (continued)**

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2009:

<i>In millions of Tenge</i>	Oil and Gas	Mining	Transportation	Telecommunication	Energy	Financial and Innovation Institutions	Other	Elimination	Total
Revenues from sales to external customers	1,583,479	168,204	559,230	141,094	88,178	348,718	38,726		2,927,629
Revenues from sales to other segments	6,070	10,303	58,769	3,200	9,088	42,563	184,170	(314,163)	
Total revenue	1,589,549	178,507	617,999	144,294	97,266	391,281	222,896	(314,163)	2,927,629
Gross profit	542,548	65,797	134,727	51,284	20,215	113,236	155,544	(81,454)	1,001,897
General and administrative expenses	(120,113)	(9,444)	(58,111)	(15,830)	(9,810)	(85,005)	(14,637)	583	(312,367)
Transportation and selling expenses	(188,985)	(1,824)	(5,266)	(3,671)	(243)	(231)	(428)		(180,648)
Finance income	84,867	3,140	3,301	1,712	2,471	33	17,515	(19,103)	93,936
Finance cost	(140,826)	(7,834)	(15,904)	(6,903)	(7,898)	(357)	(1,024)	11,079	(169,668)
Loss on revaluation of financial assets designated at fair value through profit and loss						(114,485)	(94,124)		(208,609)
Share of income in associates and joint ventures	171,739	16,849	(126)	21,167	491	4,548	64,170		278,838
Foreign exchange gain/(loss), net	(8,180)	(9,654)	(21,234)	(16,935)	(23,115)	(71,558)	138,931	(839)	(12,584)
Depreciation, depletion and amortization	(105,438)	(6,826)	(51,219)	(24,672)	(10,335)	(8,249)	(2,199)		(208,938)
Impairment of loans issued						(932,022)		1,388	(930,624)
Impairment of loans issued to banks						(62,391)	21,157		(41,234)
Impairment of other assets	(17,264)	(223)	(1,481)		10,807	(55,587)	(87,828)	90,674	(60,902)
Provision charges	12,559	(112)	1,193	(1,354)	71	(42,232)			(29,875)
Income tax expense	(177,607)	(12,617)	(15,575)	(3,195)	(2,552)	5,909	(42,097)	(17,989)	(265,723)
Net profit for the period from continuing operations	184,527	41,025	22,863	27,962	(7,177)	(1,032,722)	160,305	(16,127)	(619,344)
Net profit for the period from discontinued operations				(5,069)		323	(521)		(5,267)
Total net profit for the period	184,527	41,025	22,863	22,893	(7,177)	(1,032,399)	159,784	(16,127)	(624,611)
<i>Other segment information</i>									
Total assets of the segment	5,125,955	388,823	1,098,378	367,733	359,884	3,667,887	4,716,969	(4,664,055)	11,061,574
Total liabilities of the segment	2,767,438	143,087	401,199	155,878	210,505	3,912,977	1,197,587	(2,473,132)	6,315,539
Allowances for obsolete inventories, doubtful accounts receivable and doubtful VAT recoverable	2,462		3,722	347	706	8,145	1,011		16,393
Investments in associates and joint ventures	644,811	42,241	2,553	48,131	54,780	102,865	198,671		1,094,052
Capital expenditures	386,006	25,031	115,354	46,790	45,607	4,132	7,870	(13)	630,777

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**46. SEGMENT REPORTING (continued)**

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2008:

<i>In millions of Tenge</i>						Financial and Innovation Institutions		Elimination	Total
	Oil and Gas	Mining	Transportation	Telecommunication	Energy	Other			
Revenues from sales to external customers	1,918,136	120,343	560,858	138,466	77,159	26,703	44,793	-	2,886,458
Revenues from sales to other segments	27,578	6,762	61,941	3,913	13,392	3,461	1,357	(118,404)	-
Total revenue	1,945,714	127,105	622,799	142,379	90,551	30,164	46,150	(118,404)	2,886,458
Gross profit	694,837	44,410	127,691	47,131	14,238	10,612	15,112	(13,560)	940,471
General and administrative expenses	(144,487)	(12,921)	(67,386)	(20,440)	(5,890)	(10,678)	(7,785)	4,564	(265,023)
Transportation and selling expenses	(153,673)	(2,015)	(5,800)	(6,371)	(220)	(357)	(2)	12,964	(155,474)
Finance income	100,962	2,031	7,725	879	1,116	51,439	2,348	(40,222)	126,278
Finance cost	(109,912)	(4,099)	(10,164)	(6,089)	(1,420)	(405)	(602)	1,237	(131,454)
Share of income in joint ventures and associates	239,781	5,725	863	17,555	2,530	225	-	(10)	266,669
Foreign exchange gain/(loss), net	(13,067)	(240)	(1,732)	578	(931)	105	107	(47)	(15,227)
Loss on revaluation of financial assets designated at fair value through profit and loss	-	-	-	-	-	-	11,691	-	11,691
Depreciation, depletion and amortization	(100,425)	(6,436)	(49,617)	(23,113)	(5,705)	(2,068)	(490)	(279)	(188,133)
Impairment loss	(26,289)	-	185	(10,870)	-	(10)	-	-	(36,984)
Provision charges	4,124	934	1,429	1,294	(12)	-	275	-	8,044
Income tax expense	(201,019)	(14,279)	14,604	6,085	995	(263)	(1,898)	220	(195,555)
Net profit for the period from continuing operations	390,132	11,045	68,126	29,516	10,975	16,701	(6,476)	(33,709)	486,310
Net profit for the period from discontinued operations	-	-	-	-	-	(1,655)	(8,243)	-	(9,898)
Total net profit for the period	390,132	11,045	68,126	29,516	10,975	15,044	(14,719)	(33,709)	476,410
<i>Other segment information</i>									
Total assets of the segment	3,897,635	547,561	987,102	337,959	248,852	3,550,115	701,118	(2,881,917)	7,386,425
Total liabilities of the segment	1,872,100	138,903	314,223	143,644	125,054	41,332	424,069	(166,604)	2,892,721
Allowances for obsolete inventories, doubtful accounts receivable and doubtful VAT recoverable	15,102	-	4,944	852	195	1,055	19,217	(514)	40,851
Investments in associates and joint ventures	525,118	23,059	2,437	44,604	57,168	3,628	17	68	656,099
Capital expenditures	266,043	32,220	139,625	63,688	28,199	22,700	1,043	689	554,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**47. SUBSEQUENT EVENTS***Restructuring of external debts of second-tier subsidiary banks*

On May 28, 2010, creditors of BTA Bank JSC, which owned the bank's liabilities of 92.03% of the total financial debt, approved the plan of the bank's debt restructuring. On June 4, 2010 FMSA agreed to the terms of the bank's debt restructuring approved at the meeting of the bank's creditors. As the result of restructuring, the Bank's external debts shall be decreased from 12 US billion Dollars to 4.4 billion US Dollars, its maturity shall be changed from 1-5 years to 8-20 years, and average rate shall be decreased to 8.76%. Also, 18.5% of BTA Bank ordinary shares shall be transferred to external creditors, while the Fund's interest shall amount to 81.4%. According to the restructuring terms, the Fund capitalizes BTA Bank to the amount of 671 billion Tenge through the conversion of the bank's bonds placed with the Fund.

On December 15, 2009, creditors of Alliance Bank, which owned the bank's liabilities of 95.1% of the total financial debt, approved the plan of the bank's debt restructuring. Restructuring was finalized in March 2010. As the result of restructuring, the bank's external debts decreased from 4.5 billion US Dollars to 1.08 billion US Dollars, and its maturity was changed from 1-7 years to 7-20 years. Under the restructuring plan, in March 2010 the Fund purchased 4,000,000 ordinary shares and 1,567,164 preferred shares of Alliance Bank JSC additionally issued by the bank, to the total amount of 129 billion Tenge. The purchase was fulfilled through the Fund's payment of 24 billion Tenge in cash and conversion of Alliance Bank's bonds purchased by the Fund to the total amount of 105 billion Tenge. According to the terms of restructuring, the Fund has provided the Bank's creditors with 33% of the bank's ordinary and preferred shares, the Fund's share amounted to 67% of ordinary and preferred shares.

In March 2010, creditors of Temirbank, which owned the bank's liabilities of 93.7% of the total financial debt, approved the plan of the bank's debt restructuring. As the result of restructuring, the bank's external debts decreased from \$770 million Dollars to \$61 million Dollars, its maturity was changed from 1-4 years to 10-12 years, and average rate decreased to 9%. Under the restructuring, on May 11, 2010 based on the Regulation of the Government of the Republic of Kazakhstan dated April 30, 2010 No.372 the Fund acquired 75,933,000 ordinary shares of Temirbank JSC, which were not placed before, at 1.42 Tenge per share to the total amount of 107,825 thousand Tenge, as the result of which the Fund's share in Temirbank equity amounted to 79.9%. Under the restructuring, the Fund capitalizes Temirbank to the amount of 23.5 billion Tenge, 18.8 billion Tenge of which were already invested by the Fund, as payment for additionally issued 12,712,782,790 ordinary shares, as at the date of issue of this financial statements. 20% of additionally issued ordinary shares of Temirbank shall be transferred to external creditors and the Fund's share after the planned placement shall amount to 79.99%.

Dividends

On March 26, 2010, the Regulation of the Government of the Republic of Kazakhstan No. 239 approved the order of distribution of the Fund's net income for 2008. Dividends calculated per one ordinary share of the Fund amounted to 2 Tenge 52 Tiyn to the total amount of 8,645 million Tenge. This amount was paid on December 15, 2009, according to the decision of the Fund's Board of Directors No. 31 dated September 30, 2009.

Changes in the structure of the Group

According to the Regulation of the Government No. 2123 dated December 15, 2009, the Fund and the State Assets and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan has entered into exchange contract. In accordance with exchange contract, on March 10, 2010, the Fund has transferred its shares of SPKs to the Government in exchange to state-owned stakes in Pavlodar Petrochemical Plant JSC (42%, "PNHZ"), Kazakh-British Technical University JSC (1.67%, "KBTU"), Karagandagiproshakht LLP (90%), real estate and other property.

On March 17, 2010, Kazakhtelecom JSC completed the sale of its subsidiary – Mobile Telecom Service LLP (*Note 6*) for the consideration of 76,000 thousand US Dollars.

Acquisition of minority interest

On January 27, 2010 the Group initiated a mandatory public offer for the acquisition of 132.77 million Rompetrol Well Services S.A. shares available on the stock exchange, for a price of RON 0.43 per share (equivalent to 21.73 Tenge). On February 23, 2010 the Group acquired an additional 20.74% interest in Rompetrol Well Services for a total amount of RON 24.8 million (equivalent to 1,253 million Tenge). After the public offer, the Group holds 73.01% of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**47. SUBSEQUENT EVENTS (continued)***Acquisition of minority interest (continued)*

On February 8, 2010 the Group initiated a mandatory public offer for the acquisition of 5,062.17 million Rompetrol Rafinare S.A. shares (representing approximately 24% of the company's share capital) available on stock exchange, for a price of RON 0.0741/share (equivalent to 3.74 Tenge). The offer period ends on March 26, 2010. During the offer period, the Group has already acquired an additional 17.23% interest in Rompetrol Rafinare S.A. for a total amount of RON 170 million (equivalent to 8,590 million Tenge).

Borrowings

In May 2010 NAC Kazatomprom JSC completed an inaugural issue of Eurobonds in order to raise funds for general corporate purposes. The amount of placement was 500 million US Dollars with maturity of 5 years at 6.25% coupon rate. The date of Eurobonds placement is May 20, 2010, coupon is payable half-yearly. The bonds were placed at 98.947% of nominal price.

In May 2010 NC KMG issued Eurobonds in order to raise funds for general corporate purposes, including refinancing of current part of syndicated loan attracted for acquisition of TRG. The amount of placement was 1,500 million US Dollars with maturity of 10 years at 7% coupon rate. The date of Eurobonds placement is April 28, 2010, coupon is payable half-yearly. The bonds were placed at 98.243% of nominal price.

In May 2010 Development Bank of Kazakhstan JSC has obtained a loan from "Export-Import Bank of China" in the amount of 400 million US Dollars (equivalent to 58.6 billion Tenge) to finance its projects.

Loans given

On March 17, 2010 the Fund granted 2 loans to Kazakhmys Finance PLC to the amount of \$200 million Dollars and \$100 million Dollars for development of gold and copper fields Nurkazgan, Abyz and Bozymchak. These loans were funded from amounts obtained under credit line facility with State China Development Bank. The loans were granted for 15 and 12 years, respectively, with interest rate at six months LIBOR plus 4.8% per annum.

On June 18, 2010 Halyk Bank of Kazakhstan JSC has repaid 60 billion Tenge, placed by the Fund in January 2009 to extend credits for real economy projects for 3 years. In the period when deposit was placed, the Fund and the Bank has fulfilled regularly control over intended use of state funds. The average rates of loans granted or refinanced at the expense of the Fund's means were decreased by 4%.

Other events

On February 23, 2010 E&P KMG Board of Directors decided to approve the conclusion of major transaction – redemption of placed privileged shares of E&P KMG after their inclusion into KASE official list. Redemption will be performed at KASE during the period up to December 31, 2011. As per decision of the KASE Stock Council, E&P KMG privileged shares went through listing procedures on March 4, 2010. As of March 25, 2010 E&P KMG redeemed 215,504 preferred shares for the amount of 4,549,716 thousand Tenge.

On April 27, 2010, the venturers of "Kazgermunai" JV (joint venture of KMG's subsidiary, EP KMG) took decision to pay 300 million US Dollars as dividends. EP KMG obtained 50% of the specified amount of dividends on April 28, 2010.

In March 2010, flood damaged and destroyed NC KTZH's bridges and other constructions, and section of the railway in the Almaty region of Kazakhstan. As at the date of the consolidated financial statements the Group's management cannot reliably measure losses from this natural disaster.

"KazAtomProm" JSC raised a claim against Ken Dala.KZ JSC with the Special Interregional Economical Court of South-Kazakhstan region of RK to cancel the additional agreement No. 1 to the Contract No. 1796 dated 8 July 2005, signed between Ministry of Energy and Mineral Resources and the Company and the agreement No. 443/NAK-5 dated December 30, 2005 signed between Ken Dala.KZ JSC and the Company. This additional agreement permitted the subsoil use license for Mynkuduk mine in the Centralnyi area to Ken Dala.KZ JSC. The claim was settled in favor of the Company. In accordance with court decision No. 23-229/10 dated February 18, 2010 the permission to use the subsoil use license by Ken Dala.KZ JSC for the Mynkuduk mine was revoked.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. SUBSEQUENT EVENTS (continued)*Other events (continued)*

Due to incompliance of Astana-Finance JSC with certain regulatory requirements set by FMSA, FMSA prescribed Astana-Finance JSC to dispose control over subsidiaries – Bank Astana-Finance JSC ("BAF"), Insurance Company Astana-Finance JSC ("ICAF") and Life Insurance Company Astana-Finance JSC ("LICAF") till the level that does not require approval of FMSA. To meet this prescription Astana-Finance JSC initiated transfer of shares of BAF (90%), ICAF (100%) and LICAF (100%) under the Fund's trust management. The shares of abovementioned subsidiaries of Astana-Finance JSC were transferred to the Fund's trust management on June 14, 2010, in accordance with an agreement dated May 19, 2010.