"Sovereign Wealth Fund "Samruk-Kazyna" JSC

Consolidated Financial Statements

Year ended December 31, 2010
with Independent Auditors' Report

CONTENTS

Ernst & Young

Ernst & Young LLP
Esentai Tower
Al-Farabi Ave., 77/7
Almaty, Kazakhstan
Tel.: +7 (727) 258 5960
Fax: +7 (727) 258 5961
www.ey.com/kazakhstan

ТОО «Эрнст энд Янг»
Казахстан, Алматы
пр. Аль-Фараби, 77/7
Здание «Есентай Тауэр»
Тел.: +7 (727) 258 5960
Факс: +7 (727) 258 5961

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of joint stock company "Sovereign Wealth Fund "Samruk-Kazyna" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010 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 information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of joint stock company "Sovereign Wealth Fund "Samruk-Kazyna" as of 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Elshad Aliyev
Audit Partner

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

Auditor Qualification Certificate
No. 0000553 dated 24 December 2003

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

20 June 2011

CONSOLIDATED BALANCE SHEET

As at December 31,

In millions of Tenge	Note	2010	2009 (restated*)
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,353,682	3,856,721
Intangible assets	8	265,172	258,193
Investments in joint ventures and associates	9	1,096,077	1,095,299
Loans to customers	10	1,214,144	1,153,059
Amounts due from credit institutions	11	379,566	474,519
Deferred tax asset	39	194,713	44,136
Other long-term financial assets	12	518,505	217,715
Other non-current assets	13	222,685	206,532
		8,244,544	7,306,174
Current assets			
Inventories	14	341,599	274,355
VAT recoverable		73,557	78,776
Income tax prepaid	39	46,509	40,422
Trade accounts receivable	15	251,606	201,712
Loans to customers	10	562,849	347,755
Amounts due from credit institutions	11	964,085	982,938
Other short-term financial assets	12	445,354	198,722
Other current assets	15	238,804	212,237
Cash and cash equivalents	16	1,639,460	1,311,132
		4,563,823	3,648,049
Assets classified as held for sale and distribution to the Shareholder	6	6,941	119,826
TOTAL ASSETS		12,815,308	11,074,049

CONSOLIDATED BALANCE SHEET (continued)

As at December 31,

In millions of Tenge	Note	2010	2009 (restated*)
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	17	3,891,909	3,748,299
Revaluation reserve for available-for-sale investments		29,682	6,475
Currency translation reserve		172,613	182,960
Other capital reserves		21,022	20,301
Retained earnings		537,822	182,528
		4,653,048	4,140,563
Non-controling interest		769,366	604,444
Total equity		5,422,414	4,745,007
Non-current liabilities			
Borrowings	18	3,228,009	2,234,871
Loans from the Government of the Republic of Kazakhstan	19	405,762	283,213
Finance lease liabilities	21	14,879	21,880
Provisions	22	66,556	82,673
Deferred tax liability	39	257,412	272,896
Employee benefit liability	23	28,498	24,781
Amounts due to the customers	24	556,345	213,362
Derivatives	25	7,062	138,725
Other non-current liabilities	20	432,261	396,240
		4,996,784	3,668,641
Current liabilities			
Borrowings	18	854,117	1,093,691
Loans from the Government of the Republic of Kazakhstan	19	473,195	593,599
Finance lease liabilities	21	9,317	10,094
Provisions	22	108,130	78,141
Employee benefit liability	23	3,735	1,927
Income taxes payable	39	4,460	33,123
Trade accounts payable		401,123	248,103
Amounts due to the customers	24	64,061	215,723
Derivatives	25	70,955	4,800
Other current liabilities	26	406,969	354,785
		2,396,062	2,633,986
Liabilities associated with assets classified as held for sale and distribution to the Shareholder	6	48	26,415
Total liabilities		7,392,894	6,329,042
TOTAL EQUITY AND LIABILITIES		12,815,308	11,074,049

**Certain numbers shown here do not correspond to the 2009 consolidated financial statements and reflect adjustments made as detailed in Note 3.*

The accounting policies and explanatory notes on pages 9 through 111 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board Nurlan Rakhmetov

Chief Accountant Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31,

In millions of Tenge	Note	2010	2009 (restated*)
Revenue	27	3,609,215	2,911,833
Government grants	28	21,314	15,796
		3,630,529	2,927,629
Cost of sales	29	(2,515,164)	(1,999,790)
Gross profit		1,115,365	927,839
General and administrative expenses	30	(372,225)	(312,368)
Transportation and selling expenses	31	(253,018)	(180,648)
Gain on disposal of subsidiaries	32	-	2,713
Negative goodwill on acquisition	5	10,169	163,919
(Loss) / gain on disposal of property, plant and equipment, net		(3,082)	17,821
Impairment loss	33	(49,353)	(1,032,760)
Other operating income	34	183,644	33,619
Other operating expenses	35	(318,561)	(167,741)
Operating profit / (loss)		312,939	(547,606)
Finance costs	36	(167,990)	(169,668)
Finance income	37	75,606	93,936
Share of income in associates and joint ventures	38	423,159	279,575
Net foreign exchange gain / (loss)		18,736	(12,584)
Profit / (Loss) before income tax		662,450	(356,347)
Income tax expenses	39	(28,743)	(265,030)
Profit / (Loss) for the year from continuing operations		633,707	(621,377)
Profit / (Loss) from discontinued operations	6	644	(5,267)
Profit / (Loss) for the year		634,351	(626,644)
Attributable to:			
Equity holder of the parent		544,991	(566,321)
Non-controlling interest		89,360	(60,323)
		634,351	(626,644)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the years ended December 31,

In millions of Tenge	Note	2010	2009 (restated*)
Other comprehensive (loss) / income, net of tax:			
Foreign currency translation		(10,940)	227,943
Unrealized gain from revaluation on financial assets available-for-sale		22,070	6,511
Net realized (loss) / gain on financial assets available-for-sale		(445)	3,135
Reclassifications from other comprehensive income to other gains on impairment of financial assets available-for-sale		1,555	6,705
Gain from operations with hedge instruments		506	5,997
Total comprehensive income / (loss) for the year, net of tax		647,097	(376,353)
Attributable to:			
Equity holder of the parent		557,910	(330,440)
Non-controlling interest		89,187	(45,913)
		647,097	(376,353)
Earnings / (loss) per share:			
Basic and diluted share in profit / (loss) for the period attributable to the equity holder of the parent		157.67	(164.01)
Earnings / (loss) per share for continuing operations:			
Basic and diluted share in profit / (loss) from continuing operations attributable for the equity holder of the parent		157.48	(162.48)

**Certain numbers shown here do not correspond to the 2009 consolidated financial statements and reflect adjustments made as detailed in Note 3.*

The accounting policies and explanatory notes on pages 9 through 111 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board ______ Nurlan Rakhmetov

Chief Accountant ______ Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31,

		Attributable to equity holder of the parent							
In millions of Tenge	Note	Share capital	Revaluation reserve for investments available-for-sale	Currency translation reserve	Other capital reserves	Retained Earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2008		3,458,923	(10,513)	(29,814)	12,120	499,003	3,929,719	565,985	4,495,704
Total comprehensive loss for the year (restated *)			17,110	212,774	5,997	(566,321)	(330,440)	(45,913)	**(376,353)**
Issue of share capital	**17.1**	289,376	–	–	–	(220,392)	68,984	–	**68,984**
Discounting of bonds placed by the Fund and purchased by the Government (National Bank)	**17.2**	–	–	–	–	461,255	461,255	–	**461,255**
Dividends paid		–	–	–	–	–	–	(22,878)	**(22,878)**
Recognition of share based payments		–	–	–	248	–	248	–	**248**
Execution of share based payments		–	–	–	6	203	209	–	**209**
Forfeiture of options in subsidiaries		–	–	–	(165)	–	(165)	–	**(165)**
Change in ownership interests of subsidiaries – acquisitions by non-controlling shareholders	**17.5**	–	–	–	(192)	15,009	14,817	18,404	**33,221**
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	(122)	–	–	(1,313)	(1,435)	(2,136)	**(3,571)**
Acquisition of subsidiary	**5**	–	–	–	3,436	–	3,436	144,735	**148,171**
Change in ownership interests of subsidiaries – loss of control	**17.5, 32**	–	–	–	–	–	–	(31,536)	**(31,536)**
Change in ownership interests of subsidiaries – disposal of subsidiary		–	–	–	–	–	–	(1,230)	**(1,230)**
Buy back of shares of subsidiary from the market performed by subsidiary	**17.7**	–	–	–	(3,627)	(1,593)	(5,220)	(20,987)	**(26,207)**
Other distributions to the Shareholder		–	–	–	–	(582)	(582)	–	**(582)**
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 (restated*)		**3,748,299**	**6,475**	**182,960**	**20,301**	**182,528**	**4,140,563**	**604,444**	**4,745,007**

**Certain numbers shown here do not correspond to the 2009 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,

		Attributable to equity holder of the parent							
In millions of Tenge	Note	Share capital	Revaluation reserve for investments available-for-sale	Currency translation reserve	Other capital reserves	Retained Earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2009 (restated*)		3,748,299	6,475	182,960	20,301	182,528	4,140,563	604,444	4,745,007
Total comprehensive income for the year		–	23,207	(10,347)	59	544,991	557,910	89,187	**647,097**
Issue of share capital	17.1	143,610	–	–	–	–	143,610	–	**143,610**
Discount on loans from the Government and on bonds purchased by the Government (National Bank)	17.2	–	–	–	–	111,144	111,144	–	**111,144**
Dividends paid	17.3	–	–	–	–	(8,646)	(8,646)	(24,188)	**(32,834)**
Other transactions with Shareholders	17.4	–	–	–	(16)	(55,569)	(55,585)	(22,584)	**(78,169)**
Recognition of share based payments		–	–	–	310	55	365	11	**376**
Execution of share based payments		–	–	–	6	–	6	–	**6**
Change in ownership interests of subsidiaries – acquisitions by non-controlling shareholders	17.5	–	–	–	(10)	(203,098)	(203,108)	203,817	**709**
Forfeiture of options in subsidiaries		–	–	–	(50)	–	(50)	–	**(50)**
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	17.6	–	–	–	–	46,667	46,667	(64,118)	**(17,451)**
Acquisition of subsidiary	5	–	–	–	(95)	–	(95)	3,332	**3,237**
Buy back of shares of subsidiary from the market performed by subsidiary	17.7	–	–	–	–	(7,987)	(7,987)	(20,535)	**(28,522)**
Other distributions to the Shareholder	17.8	–	–	–	–	(71,582)	(71,582)	–	**(71,582)**
Other changes in equity of associates		–	–	–	–	(164)	(164)	–	**(164)**
Increase in other capital reserves		–	–	–	517	(517)	–	–	**–**
Balance as at December 31, 2010		3,891,909	29,682	172,613	21,022	537,822	4,653,048	769,366	5,422,414

**Certain numbers shown here do not correspond to the 2009 consolidated financial statements and reflect adjustments made as detailed in Note 3.*

The accounting policies and explanatory notes on pages 9 through 113 form an integral part of these consolidated financial statements.

Nurlan Rakhmetov

Almaz Abdrakhmanova

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31,

In millions of Tenge	Note	2010	2009 (restated*)
Cash flows from operating activities:			
Profit / (Loss) before income tax		662,450	(356,347)
Profit / (Loss) from discontinued operations before income tax		644	(5,267)
Adjustments for:			
Depreciation, depletion and amortization	7, 8	259,191	218,650
Share of income in associates and joint ventures	9	(423,159)	(279,575)
Finance costs	36	167,990	169,668
Finance income	37	(75,606)	(93,936)
Impairment loss	33	49,353	1,032,760
Long-term employee benefits	23	10,280	1,686
Negative goodwill on acquisition	5	(10,169)	(163,919)
Provision charges	22	(50,187)	(29,875)
Derivatives	25	(50,589)	9,333
Loss/(Gain) on disposal of property, plant and equipment, net		3,082	(17,821)
Gain on disposal of subsidiaries	6	–	(2,713)
Allowance for doubtful debts on trade accounts receivable and other current assets	15	14,183	16,898
Allowance for long-term assets	13	7,396	1,465
(Gain) / Loss on revaluation of financial assets designated at fair value through profit and loss		(2,017)	208,610
Realized loss on revaluation of available-for-sale assets		1,390	2,590
Gain from loss of significant influence	9	(19,881)	–
Effect of finalization of the debt restructuring	35	285,339	–
Unrealized foreign exchange loss		2,256	204,522
Other non-cash transactions		2,976	6,953
Operating cash flows before working capital changes		834,922	923,682
Changes in other non-current assets		(1,154)	(19,719)
Changes in loans to customers		(328,158)	(267,934)
Changes in amounts due from credit institutions		166,554	(227,051)
Changes in other financial assets		(172,350)	204,558
Changes in derivatives		(15,678)	(139,045)
Changes in inventories		(68,278)	(99,368)
Changes in VAT recoverable		(2,177)	(4,500)
Changes in trade accounts receivable		(64,485)	(69,410)
Changes in other current assets		(3,413)	(39,928)
Changes in borrowings and loans from the Government		247,636	1,459,666
Changes in trade accounts payable		116,891	41,066
Changes in amounts due to the customers		189,561	(539,030)
Changes in other liabilities		54,679	20,078
Cash generated from operating activities		954,550	1,243,065
Income taxes paid		(227,629)	(201,026)
Interest paid		(153,308)	(129,660)
Interest received		51,836	80,537
Net cash flows from operating activities		625,449	992,916

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the years ended December 31,

In millions of Tenge	Note	2010	2009 (restated*)
Cash flows from investing activities:			
Placement of bank deposits, net		(58,157)	(338,349)
Acquisition of associates and joint ventures	9	(5,258)	(92,539)
Acquisition of subsidiaries, net of cash acquired	5	(9,787)	(119,015)
Cash of subsidiaries being reclassified to disposal group		–	(25,890)
Purchase of property, plant and equipment		(747,814)	(587,464)
Purchase of intangible assets		(9,631)	(17,792)
Purchase of other financial assets		(118,773)	(1,892)
Proceeds from sale of property, plant and equipment		30,854	52,805
Advances paid for non-current assets	13	(82,640)	(115,786)
Dividends received from joint ventures and associates	9	321,476	162,100
Proceeds from sale of associates		–	733
Proceeds from sale of subsidiaries		10,959	–
Stock options exercised		6	209
Cash and cash equivalents of subsidiaries where the Group lost the control	6	–	(2,276)
Net cash flows used in investing activities		(668,765)	(1,085,156)
Cash flows from financing activities:			
Proceeds from borrowings		1,307,373	433,278
Repayment of borrowings		(986,816)	(582,992)
Repayment of finance lease liabilities		(7,862)	(6,914)
Redemption of shares of subsidiaries		(25,034)	(26,371)
Transactions with the Shareholder		(14,478)	11,732
Dividends paid to non-controlling shareholders of subsidiaries	17	(24,188)	(22,878)
Contributions to share capital by non-controlling Shareholders		8,347	5,647
Dividends paid to the Shareholder		7,056	–
Other distributions in subsidiaries		–	(22)
Acquisition of non-controlling interest	5	(17,450)	(3,571)
Contributions to share capital		141,447	67,346
Net cash flows from / (used in) financing activities		374,282	(124,745)
Effects of exchange rate changes on cash and cash equivalents		(2,638)	74,176
Net increase/(decrease) in cash and cash equivalents		328,328	(142,809)
Cash and cash equivalents at the beginning of the year		1,311,132	1,453,941
Cash and cash equivalents at the end of the year	16	1,639,460	1,311,132

Certain numbers shown here do not correspond to the 2009 consolidated financial statements and reflect adjustments made as detailed in Note 3.

The accounting policies and explanatory notes on pages 9 through 111 form an integral part of these consolidated financial statements.

Managing Director – Member of the Management Board — Nurlan Rakhmetov

Chief Accountant — Almaz Abdrakhmanova

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. GENERAL INFORMATION

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 40* (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 seven 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*).
- Segment of Corporate center and projects includes Fund's investing and financing activities.

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 30, 2011 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 Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. In terms of Stabilization Plan, the Government has taken measures to ensure the liquidity and refinancing of foreign loans of Kazakhstani banks and companies, which resulted in the improved economic situation in Kazakhstan. However, despite the positive results of stabilization measures taken by the Government, there is uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect on the financial position, results of operations and business prospects of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

Economic environment of the Group (continued)

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected 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, the National Bank, the Agency on the Regulation and Supervision of Financial Market and Financial Organizations of Republic of Kazakhstan on stabilization of the economy and financial system for 2009-2010 ("Stabilization Plan"). The Stabilization Plan provides certain measures aimed at the following:

- 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 in 2009 acquired a controlling interest in BTA Bank JSC ("BTA Bank"), obtained control over Alliance Bank JSC ("Alliance Bank") (*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.

Under the BTA Bank's debt restructuring plan approved in March 2010, the Fund acquired newly issued shares of Temirbank JSC ("Temirbank"), a subsidiary of BTA Bank. The Fund is not planning to keep its interest in BTA Bank JSC, Alliance Bank JSC, Temirbank JSC, Halyk Bank JSC and Kazkommertsbank JSC in a long-term perspective. In 2010, Alliance Bank JSC, BTA Bank JSC and Temirbank JSC completed the process of restructuring its debts. 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 235,269 million Tenge.

2. BASIS OF PREPARATION

Establishment of tariffs

A number of subsidiaries of the Group are the subjects of regulation by the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan. 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.

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*.

2. BASIS OF PREPARATION (continued)

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.

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:

	2010	2009
USD	**147.50**	148.46
EUR	**196.88**	213.95
CHF	**157.40**	144.12
RUR	**4.83**	4.90
JPY	**1.81**	1.61

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Exchange rates (continued)

The currency exchange rate of KASE as at June 30, 2011 is 146,95 Tenge to 1 US Dollar.

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, 2009.

New accounting developments

As at 1 January 2010 the Group has adopted the following new and amended IFRS and IFRIC interpretations:

- 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 July 1, 2009, including related amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IAS 39 *Financial instruments: recognition and measurement – eligible hedged items*, effective July 1, 2009.
- Interpretation 17 *The distribution of non-cash assets to owners*, effective July 1, 2009.

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 2 *Share-based payment (Revised)*

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 *Business combinations (Revised)* and IAS 27 *Consolidated and separate financial statements (Amended)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010. The change in accounting policy was applied prospectively and had no material impact on the Group

IAS 39 *Financial instruments: recognition and measurement – eligible hedged items.*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Fund has not entered into any such hedges.

IFRIC 17 *Distribution of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting developments (continued)

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 9 *Financial instruments*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 12 *Income Taxes* (Amended)
- IAS 32 *Classification of emission rights*
- IFRS 1 *First time adoption of IFRS* (Amended)
- IFRS 7 *Financial Instruments: Disclosures* (Amended)
- IAS 24 *Related party disclosures* (Amended)
- IFRIC 19 *Extinguishing financial liabilities with equity instruments,* effective July 1, 2010
- IFRIC 14 *Prepayments of a minimum funding requirement* (Amended)

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*

IFRS 9 Financial Instruments: specifies how an entity should classify and measure it's 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 from 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.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. The standard sets out requirements for situations when control is difficult to assess, including cases involving potential voting rights, agency relationships, control of specified assets and circumstances in which voting rights are not the dominant factor in determining control. In addition IFRS 10 introduces specific application guidance for agency relationships. The standard also contains accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Group does not expect any impact on its financial position or performance.

IFRS 11 *Joint Arrangements*

IFRS 11 improves the accounting for joint arrangements by introducing a principle-based approach that requires a party to a joint arrangement to recognise its rights and obligations arising from the arrangement. The classification of a joint arrangement is determined by assessing the rights and obligations of the parties arising from that arrangement. There are only two types of arrangements provided in the standard - joint operation and joint venture. IFRS 11 also eliminates proportionate consolidation as a method to account for joint arrangements. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Group does not expect any impact on its financial position or performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting developments (continued)

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 Disclosure of Interests in Other Entities issued in May 2011 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Group does not expect any impact on its financial position or performance.

IFRS 13 *Fair Value Measurement*

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value. Currently the Group evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

IAS 24 *Related party disclosures*

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard. The Group made early adoption of the standard.

Improvements to IFRSs

In April 2009 the Board issued the second compilation of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments will be effective after January 1, 2010 or later. There are separate transitional provisions for each standard. The amendments included in the "Improvements to IFRSs", published in April 2009, had no effect on the accounting policies, financial condition or results of financial operations of the Group.

- IFRS 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information.
- IAS 7 Statement of Cash Flows: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 Impairment of Assets: the amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

In May 2010 the Board issued the second compilation of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011.

- IFRS 3 *Business combinations*;
- IFRS 7 *Financial instruments: disclosures*;
- IAS 1 *Presentation of financial statements*;
- IAS 27 *Consolidated and separate financial statements*;
- IFRIC 13 *Customer loyalty programmes*.

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement

The Group is required to recognize separately, 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 Refinery Company RT LLP, MangistauMunayGas JSC, Kazakhstan Pipeline Ventures and Caspian Pipeline Ventures. As of December 31, 2010, the Group completed the estimation of fair values of the identifiable assets and liabilities of the acquired businesses which were accounted for using their provisional amounts in 2009 consolidated financial statements.

As the result of finalization of valuation of fair value, comparative consolidated balance sheet as of December 31, 2009 and consolidated statement of comprehensive income for the year then ended were restated as provided in *Note 5*.

Also, the Group made certain reclassifications in the consolidated statement of comprehensive income. The Group revised classification of income and expenses from impairment of letters of credit and guarantees in the consolidated statement of comprehensive income and concluded that classification of these items to other operating income and expenses is more appropriate. As the result 2009 cost of goods sold increased by 70,596 million Tenge.

Consolidation

The consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries and joint ventures (*Note 40*).

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.

Non-controlling 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. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Subsidiaries prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in equity.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to January 1, 2010 were not reallocated between non-controlling interest and the parent shareholder.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at January 1, 2010 has not been restated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

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.

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 acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

Business combinations (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose 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 combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to January 1, 2010

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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.

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 non-controlling 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral resources exploration and development assets (oil and gas and mining assets) (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	3-40 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*.

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.

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

In the course of it's 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 instrments 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 non-controlling 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 non-controlling share.

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 non-controlling interest, is reflected within goodwill. Any dividends subsequently declared and paid to such non-controlling 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Finance leases

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an increase in the retained earnings.

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Company. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity (continued)

Share based payments (continued)

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.

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.

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.

Reserve on construction of social objects

As of December 31, 2010, other provisions include provisions of subsidiaries for construction of Kazakhstan History Museum (KMG), Teleradio complex (KTZh) and Students' Palace (Kazatomprom) for the total amount of 71,582 million Tenge. Upon the completion of the construction the assets will be transferred to the Government free of charge, so the Group determined that it has a constructive obligation of which the amount of future probable cash outflows is reliably measured. The estimated costs of the provision for the construction is 25,560 million Tenge, 27,130 million Tenge and 18,892 million Tenge, respectively. The total estimated costs was recognized as distribution to the Shareholder in 2010 (*Note 17*). Expenditures of 1,774 million Tenge and advanced paid to suppliers of 12,704 million Tenge were recognized as other current assets. Changes to the initial estimate of the cost for the construction could have a significant impact on the amount of provision. The Group assessed the effect of the time value of money as not material.

Rompetrol provisions (TRG) and KMG

Under the terms of certain contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the territory at each production site. Specifically, the Group's obligation mainly relates to decommissioning and environmental provisions in relation to Port La Nouvelle depot in France and cleaning of oil sludge pools and restoration of contaminated land in Rompetrol Rafinare S.A. (Vega Refinery).

The Group has recognized a provision for environmental liability relating to TRG, its subsidiary. Environmental damage caused by substances related to the activity of the TRG may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the TRG operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the TRG together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognized as a provision in the Group's consolidated financial statements.

The discount rate used for calculation of the expected costs to clean the oil sludge pools and restore the contaminated land in Rompetrol Rafinare S.A. (Vega Refinery) was 11% (2009: 12%).

Furthermore, as part of TRG acquisition, the Group recognized a provision for decommissioning associated with the Port la Nouvelle depot in France. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected costs to dismantle and remove the depot from the site and the expected timing of those costs.

Changes to these assumptions could have a significant impact on the amount of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

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.

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 44*. Movements in the provision for environmental remediation obligations are disclosed in *Note 22*.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 2010 the Group recognized an impairment of property, plant and equipment for 14,326 million Tenge (2009: 11,522 million Tenge) in the consolidated statement of comprehensive income (*Note 7*).

In 2009 the Group recognized an impairment of goodwill for 36,743 million Tenge in the consolidated statement of comprehensive income (*Notes 8*). 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*.

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*.

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, 2010 was 194,713 million Tenge (2009: 44,136 million Tenge). Further details are contained in *Note 39*.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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.

In November 2009, the Government of Republic of Kazakhstan approved further amendments to the tax code effective January 1, 2009, in accordance to which previous gradual reduction of CIT rate is abolished and CIT is stated at 20% for the foreseeable future. The Group considered those amendments for the purposes of calculation of current and deferred income taxes as of December 31, 2010 ans 2009.

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 39*.

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 22* 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 44*.

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 fair value of financial instruments reported in consolidated financial statements.

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 23*). 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).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 weather 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, 2010, allowances for doubtful accounts have been created in the amount of 78,583 million Tenge (2009: 62,112 million Tenge) (*Notes 13 and 15*)

5. ACQUISITIONS

Acquisitions of 2010

Acquisitions by BTA Bank JSC ("BTA")

In January 2010, the Bank obtained 75% share in the equity of JSC Accumulative Pension Fund Ular-Umit ("Ular-Umit") and 75% share in equity of JSC Pension Asset Management Company Zhetysu ("Zhetysu") in connection with the discharge of liabilities to the Bank of certain clients of the Group. The main activity of Ular-Umit is attraction of pension contributions and managing pension payments to its depositors. The main activity of Zhetysu is pension assets investment management.

In January 2010, the Bank obtained a 100% share in LLP Titan Incassatsiya ("Titan Incassatsiya"). The main activity of Titan Incassatsiya is encashment and transfer of banknotes, coins and valuables.

On 25 March 2010, the Bank obtained a 75.28% share in the equity of JSC Insurance Company Atlanta-Polis ("Atlanta-Polis") by the decision of Specialized regional court of Almaty in consideration with the partial discharge of liabilities to the Bank of LLP NSK-Capital. The main activity of Atlanta-Polis is insurance.

During 2010, the Bank acquired a 100.00% share in the equity of Logopark Hagibey LLC as a result of forfeiture of pledged property of one borrower. The main activity of Logopark Hagibey LLC is logistics.

On 6 November 2010, the FMSA took a decision to issue permission for voluntary reorganization through joining of Atlanta-Polis and JSC Subsidiary Insurance Company of BTA Bank, BTA Zabota ("BTA Zabota") to JSC Subsidiary Company of BTA Bank, BTA Insurance ("BTA Insurance"). On 10 December 2010 BTA Insurance within restructuring of the Group's insurance business based on transfer act assumed property, rights and liabilities of Atlanta-Polis and BTA Zabota.

Although the Group did not own any shares in First Kazakh Securitisation Company and Second Kazakh Securitisation Company as at 31 December 2010 and 2009 and for the years then ended, they are treated, in accordance with SIC-12 "Consolidation – Special Purpose Entities", as subsidiaries, because at those dates the Group controlled and benefited directly from operations of these entities.

5. ACQUISITIONS (continued)

Acquisitions of 2010 (continued)

Acquisitions by BTA Bank JSC ("BTA") (continued)

The information on fair value of identifiable assets and liabilities of Ular-Umit, Zhetysu, Atlanta-Polis, Titan-Inkassatsiya and Logopark Hagibey as at the purchase date is presented below:

	Ular Umit	Zhetysu	Atlanta-Polis	Titan-Inkassatsiya	Logopark Hagibey
Assets					
Cash and cash equivalents	134	62	33	56	–
Amounts due from credit institutions	206	–	–	–	–
Investments securities	6,242	4,248	806	–	–
Amounts receivable under reverse repurchase agreements	–	–	207	–	–
Trading securities	–	–	58	–	–
Property and equipment	886	20	107	357	2,755
Current income tax asset	576	273	–	–	–
Deferred income tax asset	319	757	–	–	–
Other assets	206	54	487	147	145
	8,569	**5,414**	**1,698**	**560**	**2,900**
Liabilities					
Accounts payable	(1,422)	(11)	–	–	–
Amounts due to credit institutions	–	–	–	–	(4,845)
Other liabilities	(184)	–	(726)	(117)	–
	(1,606)	**(11)**	**(726)**	**(117)**	**(4,845)**
Total identifiable net assets valued at fair value	**6,963**	**5,403**	**972**	**443**	**(1,945)**
Non-controlling interest	1,741	1,351	240	–	–
Goodwill	–	–	–	–	1,945
Excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost	(5,222)	(4,052)	(452)	(443)	–
Interest transferred at acquisition	**–**	**–**	**280**	**–**	**–**

The Bank received share in ownership of Ular-Umit and Zhetysu as a discharge against certain debt before the Bank. Independent estimation of the fair value of identifiable assets and liabilities of acquired companies was not necessary, since the Bank's management believes that the carrying amount of identifiable assets and liabilities, which are liquid and have short maturities, approximately equals to their fair value.

BTA Bank has taken decision to evaluate non-controlling interests in Ular-Umit, Zhetysu and Atlanta-Polis based on proportional share of non-controlling interest in their identifiable net assets.

Total consideration paid included cash payment of 280 million Tenge.

Analysis of cash flows at acquisition:

Transaction costs at acquisition (included into cash flows from operating activity)	–
Net cash acquired in subsidiary (included into cash flows from investing activity)	285
Cash paid at acquisition (included into cash flows from investing activity)	(280)
Net cash inflow	**5**

Total operating income of the acquired companies for the period from acquisition date till 31 December 2010 amounted to 3,637 million Tenge, whereas net income for the same period amounted to 1,983 million Tenge. If the business combination had taken place at the beginning of 2010, the total operating income and net income of the Group for 2010 would not have been materially affected.

5. ACQUISITIONS (continued)

Acquisitions of 2010 (continued)

Acquisitions by NC KMG – NBK LLP ("NBK")

On September 24, 2010 E&P KMG (subsidiary of NC KMG) acquired a 100% interest in NBK. NBK is an oil and gas company, which has a license for the exploration and production of the West Novobogatinksoye oil field located in Atyrau oblast of the Republic of Kazakhstan. The acquired company is currently in the exploration stage and has rights to sell test production from four successful exploration wells over the period of exploration. The interest in NBK was acquired for cash consideration of 35,000 thousand US Dollars (5,162 million Tenge). E&P KMG paid 90% of the consideration and withheld the remaining 10%, subject to the vendor completing their obligations under the sale purchase agreement. Subsequent to the acquisition, NBK's exploration license was extended to September 2012 from September 2010.

The fair values of the identifiable net assets as of September 24, 2010 are as follows:

	Fair values recognized on acquisition
Cash	–
Current assets	12
Non-current assets	6,162
	6,174
Current liabilities	19
Non-current liabilities	992
	1,011
Net assets	**5,163**
Total acquisition cost	**5,163**
Less: deferred payment liability	(516)
Net cash outflow	**4,647**

The results of operations of NBK for the period from the acquisition date to the year end were included into the consolidated financial statements of the Group and comprised a loss of 545 million Tenge. If the acquisition has taken place as of January 1, 2010, the net profit from continuing operations of the Group for 2010 would have not changed significantly.

Acquisitions by NC KMG – SapaBarlau Service LLP ("SBS")

On September 24, 2010 E&P KMG acquired a 100% interest in SBS. SBS is an oil and gas company, which has a license for the exploration of the East Zharkamys I field located in Aktobe oblast of the Republic of Kazakhstan. The interest in SBS was acquired for cash consideration of 4,410 million Tenge. E&P KMG paid 90% of the consideration and withheld 10%, subject to the vendor completing their obligations under the sale purchase agreement. Subsequent to acquisition, SBS's exploration license was extended to November 2012 from November 2010.

The fair values of the identifiable net assets as of September 24, 2010 are as follows:

	Fair values recognized on acquisition
Cash	2
Current assets	3
Non-current assets	5,475
	5,480
Current liabilities	195
Non-current liabilities	875
	1,070
Net assets	**4,410**
Total acquisition cost	**4,410**
Less: deferred payment	(441)
Net cash outflow	**3,969**

The results of operations of SBS for the period from the acquisition date to the year end were included into the consolidated financial statements of the Group and comprised a loss of 480 million Tenge. If the acquisition has taken place as of January 1, 2010, the net profit from continuing operations of the Group for 2010 would have not changed significantly.

5. ACQUISITIONS (continued)

Acquisitions of 2009

Acquisition of Alliance Bank JSC

On 1 February 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 2 February 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 of repayment of the deposit. The agreement has resulted in a transfer of control over 76% voting rights to the Fund.

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.

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

Acquisition of Alliance Bank JSC (continued)

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:

In millions of Tenge	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: non-controlling 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 debt restructuring.*

From the date of acquisition till December 31, 2009 Alliance Bank has contributed revenue of 89,123 million Tenge and a loss of 255,011 million Tenge to continuing operations of the Group. 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 629,802 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.

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.

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

Acquisition of BTA Bank JSC (continued)

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:

In millions of Tenge	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: non-controlling interest at the level of BTA Bank	(14,420)	
Net assets	**500,683**	
Less: non-controlling 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 debt restructuring.*

From the date of acquisition till December 31, 2009 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 625,586 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 45*).

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

Acquisitions by NC KMG – Kazakhstan Petrochemical Industries JSC ("KPI")

On February 26, 2009, NC KazMunaiGas JSC ("NC KMG") 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. This investment has been 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:

In millions of Tenge	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**	
Total net assets acquired (50%)	3,218	
Goodwill arising from acquisition (*Note 8*)	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.

From the date of acquisition till December 31, 2009 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. 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.

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

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

Acquisitions by NC KMG – 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.

Before the acquisitions in 2009, 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 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, 2010, the carrying value of note receivable from CPC was 17,987 million Tenge (2009: 16,075 million Tenge).

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

In millions of Tenge	Fair values recognized on acquisition
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:

In millions of Tenge	
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 9,137 million Tenge as at December 31, 2010 (2009: 8,405 million Tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

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

As part of the acquisition of the "Rompetrol Group N.V. ("TRG") in 2007 the Group also obtained a call and put option to acquire the remaining 25% of TRG. The Group applied the accounting for the business combination on the basis that the underlying shares subject to the put option had been acquired. On June 24, 2009 the Group settled the liability under a put and call option for cash consideration of 15,043 million Tenge. The net excess of 147 million Tenge was recorded within finance income.

Finalization of 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 Pavlodar Petrochemical Plant JSC ("PPP"). PPP is an oil refinery plant located in Kazakhstan.

The acquisition of Refinery was accounted for using the purchase method of accounting. As at December 31, 2009, NC KMG was 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 as follows:

In millions of Tenge	Fair Value recognized on date of acquisition	Provisional fair value recognized on acquisition
Property, plant and equipment	104,056	16,812
Intangible assets	22	25
Deferred income tax assets	–	83
Long-term VAT recoverable	1,984	1,984
Other long-term assets	2,184	2,184
Trade accounts receivable	331	331
Inventories	4,150	3,795
Income tax prepaid	124	124
Other current assets	271	271
Cash and cash equivalents	363	363
Total Assets	**113,485**	**25,972**
Trade payables	249	249
Advances received	2,768	2,768
Other taxes payable	303	303
Other current liabilities	547	547
Deferred tax liability	13,516	-
Provisions	58	58
Total Liabilities	**17,441**	**3,925**
Net assets	**96,044**	
Less: non-controlling interests in subsidiary of Refinery	(3,637)	
Acquired interest in net assets	**92,407**	
Provisional value of goodwill arising from acquisition *(Note 8)*	88,553	
Total consideration	**180,960**	

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

5. ACQUISITIONS (continued)

Acquisitions of 2009 (continued)

Finalization of acquisition of "Refinery Company RT" LLP (continued)

Cash outflow on acquisition:

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

The valuation of the assets, liabilities and contingent liabilities (as presented above) completed in June 2010 showed that the fair value of net assets at the date of acquisition was 96,044 million Tenge, an increase of 73,997 million Tenge compared to the provisional values, which resulted in a reduction of provisional goodwill. This resulted in an increase of depreciation charge from the acquisition date to December 31, 2009 by 3,464 million Tenge (tax benefit: 693 million Tenge). The value of the non-controlling interest acquired recognized at acquisition was determined as proportion of fair value of net assets acquired not attributable to the equity holders of the Company of 3,637 million Tenge, an increase of 496 million Tenge, compared to provisional values.

The 2009 comparative information has been restated to reflect these adjustments.

The goodwill of 88,553 million Tenge recognized in relation to the acquisition of Refinery is attributed to the expected synergies and other benefits from combining the oil refinery assets and activities of the acquired Refinery with those of the Group.

On March 10, 2010, the Shareholder transferred its 42% of shares of PNHZ to the Group (*Note 17*).

Finalization of 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 Dollars (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 Dollars (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 did 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.

The valuation of the assets, liabilities and contingent liabilities of MMG was completed in November 2010.

This valuation resulted in the increase of the Group's share in the 2009 net income of MIBV by 1,247 million Tenge.

Acquisition of non-controlling 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.

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)

Assets classified as available for sale – Balkhash HPP LLP (continued)

In millions of Tenge	December 31, 2010	December 31, 2009
Assets		
Property, plant and equipment	2,524	1,212
Other non-current assets	10	13
Inventories	1	1
Other current assets	220	85
Cash and cash equivalents	1,097	2,534
Assets of the disposal group	**3,852**	**3,845**
Liabilities		
Defered tax liability	4	–
Other current assets	53	34
Liabilities, related to assets of the disposal group	**57**	**34**
Net assets of the disposal group	**3,795**	**3,811**

Discontinued operations – Mobile Telecom-Service LLP ("MTS")

On December 14, 2009, Kazakhtelecom concluded an agreement to sell its ownership in Mobile Telecom-Service LLP to Tele2 Sverige AB, a Swedish mobile operator.

On March 17, 2010 the Group completed the sale of Mobile Telecom-Service LLP for consideration of 76,000 thousand US Dollars (equivalent to 11,175 million Tenge). The gain on sale amounted to 178 million Tenge.

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

In millions of Tenge	2010	2009
Revenue	670	4,760
Cost of sales	(614)	(4,190)
Gross revenue	56	570
General and administrative expenses	(70)	(546)
Selling expenses	(74)	(841)
Operating loss	(88)	(817)
Finance costs	(127)	(887)
Finance income	1	41
Net foreign exchange gain / (loss)	726	(3,518)
Other (loss) / income	(46)	(52)
Income / (Loss) before tax from a discontinued operation	466	(5,233)
Income from sale of discontinued operations	178	–
Corporate income tax benefit	–	164
Income / (Loss) for the year from a discontinued operation	644	(5,069)

Gain from sales of discontinued operations was as follows:

In million Tenge	**2010**
Considerations received from Tele2 AB	**11,176**
Net assets disposed	**(1,891)**
Provision for loss from restructuring of receivables from MTS	**(9,107)**
Gain on sale	**178**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)

Discontinued operations – Mobile Telecom-Service LLP ("MTS") (continued)

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

In millions of Tenge	December 31, 2009
Assets	
Property plant and equipment	14,427
Intangible assets	21,459
VAT recoverable	1,636
Cash and cash equivalents	486
Other	759
Assets classified as held for sale	38,767
Liabilities	
Loans	(19,626)
Trade accounts payable	(2,801)
Deferred tax liability	(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

As Mobile Telecom-Service LLP was sold before December 31, 2010, assets and liabilities of disposal group classified as held for sale as of December 31, 2009 are no longer reflected in the consolidated balance sheet.

Cash inflow from sale:

In million Tenge	2010
Consideration received	11,176
Net cash disposed of with the discontinued operation	(218)
Net cash inflow	10,958

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

In millions of Tenge	2010	2009
Operating	(271)	(313)
Investing	(68)	(24)
Financing	71	(561)
Net cash outflow	(268)	(898)
Basic and diluted, from discontinued operation, Tenge	75	(448)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)

2009

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 for 11.3% state-owned stake of Kazakhstan Mortgage Guarantee Fund. Disposal of net assets of KazNEX in 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 trust 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.

Due to the expected disposal of investments to the above mentioned 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 swap contract. In accordance with swap contract, the Fund shall transfer the shares of SPKs to the Committee in exchange to state-owned stakes in Pavlodar Petrochemical Plant JSC (42%, "PPP"), 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 PPP and KBTU shares.

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

In millions of Tenge	2009
Revenue	5,058
Cost of sales	(3,367)
General and administrative expenses	(3,781)
Other income / (expense)	1,885
Loss before income tax for the period from discontinued operation	(205)
Income tax expense	(661)
Loss for the period from a discontinued operation	(866)

6. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION TO THE SHAREHOLDER (continued)

2009 (continued)

Assets classified as held for distribution to the Shareholder (continued)

The major groups of assets and liabilities of entities disposed as at 31 December 2009 were as follows:

In millions of Tenge	2009
Assets	
Property, plant and equipment	11,734
Intangible assets	86
Investments in joint ventures and associates	26,282
Other non-current assets	10,294
VAT recoverable	760
Other current assets	12,262
Cash and cash equivalents	14,964
Assets classified as held for distribution to the Shareholder	**76,382**
Liabilities	
Borrowings	19
Other non-current liabilities	220
Other current liabilities	557
Liabilities directly associated with assets classified as disposal group held for distribution to the Shareholder	**796**
Net assets directly associated with disposal group held for distribution to the Shareholder	**75,586**

The net cash flows incurred by entities disposed to the Shareholder for the years ended December 31, 2009 was as follows:

In millions of Tenge	2009
Cash outflow from operating activities	(12,268)
Cash outflow from investing activities	(3,103)
Cash inflow from financing activities	26,072
Net cash inflow	**10,701**

During 2010 the Fund transferred to the Shareholder shares of SPK and NIF. Net loss of SPK and NIF for the period from January 1, 2010 till the date of disposal totaled to 201 million Tenge and was included in discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

In millions of Tenge	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, 2009 (restated*)	**788,161**	**75,096**	**498,226**	**328,699**	**373,728**	**807,768**	**13,305**	**46,077**	**215,174**	**3,146,234**
Foreign currency translation	129,160	12,982	55,211	17,965	–	8,569	–	2,442	7,322	233,651
Additions	193,302	20,886	4,052	14,093	220	94,813	9,017	9,178	271,962	617,523
Acquisitions through business combinations (*Note 5*)	–	–	102,833	24,087	–	7,943	–	17,692	36,278	188,833
Disposals	(6,388)	–	(767)	(11,110)	(6,392)	(14,332)	–	(4,770)	(5,621)	(49,380)
Depreciation charge	(26,641)	(319)	(33,487)	(18,456)	(13,663)	(94,881)	(3,208)	(14,777)	–	(205,432)
Depreciation on disposals	2,916	–	341	1,811	2,291	9,064	–	1,114	–	17,537
(Impairment provision) / reversal of impairment provision, net	(456)	(13)	(266)	(12,280)	–	3,910	(16)	(1,321)	(3,884)	(14,326)
Loss of control over subsidiary (*Note 32*)	–	–	(4,615)	(174)	–	(388)	–	(173)	(1,103)	(6,453)
Transfers from assets classified as held for sale (*Note 6*)	–	–	–	(11,721)	(233)	(11,295)	–	(1,413)	(13,071)	(37,733)
Transfers to intangible assets	(4,841)	–	–	–	–	(4)	–	(82)	(28,745)	(33,733)
Transfers and reclassifications	33,203	3,388	35,824	64,921	17,583	97,602	(1,643)	9,720	(260,598)	–
Net book value at December 31, 2009 (restated*)	**1,108,416**	**112,020**	**657,352**	**397,835**	**373,534**	**908,769**	**17,455**	**63,626**	**217,714**	**3,856,721**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of Tenge	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 at December 31, 2010	**1,108,416**	**112,020**	**657,352**	**397,835**	**373,534**	**908,769**	**17,455**	**63,626**	**217,714**	**3,856,721**
Foreign currency translation	(8,103)	(514)	(2,043)	(1,594)	-	(471)	-	(119)	(215)	(13,059)
Change in estimate	-	(23)	-	-	-	-	1,408	-	-	1,385
Additions	178,154	27,570	7,202	8,422	17	61,872	8,441	15,022	485,186	791,886
Acquisitions through business combinations (*Note 5*)	-	6,395	-	969	-	89	-	398	3,118	10,969
Disposals	(7,493)	(2,800)	(3,679)	(5,271)	(7,503)	(21,300)	-	(6,182)	(3,295)	(57,523)
Depreciation charge	(30,005)	-	(45,410)	(21,333)	(13,566)	(114,193)	(4,123)	(13,906)	-	(242,536)
Depreciation on disposals	4,047	-	2,148	1,008	378	14,186	-	1,820	-	23,587
(Impairment provision) / reversal of impairment provision, net	(364)	(931)	19	(3,535)	2	(3,917)	-	(557)	(2,239)	(11,522)
Transfer to available for sale assets	-	(1,261)	-	-	-	-	-	(443)	-	(1,704)
Transfers to assets classified as held for sale	-	-	-	8	-	27	-	-	2	37
Transfers to intangible assets	-	-	-	-	-	(20)	-	(300)	(4,267)	(4,587)
Transfers from intangible assets	-	-	-	-	-	1	-	-	27	28
Transfers and reclassifications	91,989	-	44,330	52,539	36,767	162,033	-	(1,133)	(386,525)	-
Net book value at December 31, 2010	**1,336,641**	**140,456**	**659,919**	**429,048**	**389,629**	**1,007,076**	**23,181**	**58,226**	**309,506**	**4,353,682**
Historical cost	1,514,281	141,400	847,254	539,969	453,752	1,549,041	38,526	120,452	317,429	5,522,104
Accumulated depreciation and impairment	(177,640)	(944)	(187,335)	(110,921)	(64,123)	(541,965)	(15,345)	(62,226)	(7,923)	(1,168,422)
Net book value at December 31, 2010	**1,336,641**	**140,456**	**659,919**	**429,048**	**389,629**	**1,007,076**	**23,181**	**58,226**	**309,506**	**4,353,682**
Historical cost	1,259,333	112,352	749,120	468,139	427,915	1,333,195	28,664	98,057	223,425	4,700,200
Accumulated depreciation and impairment	(150,917)	(332)	(91,768)	(70,304)	(54,381)	(424,426)	(11,209)	(34,431)	(5,711)	(843,479)
Net book value at December 31, 2009	**1,108,416**	**112,020**	**657,352**	**397,835**	**373,534**	**908,769**	**17,455**	**63,626**	**217,714**	**3,856,721**

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement of exploration and evaluation assets is presented as follows:

In millions of Tenge	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2009	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	1,745	1,643	3,388
Net book value at December 31, 2009 (restated)	**108,242**	**3,778**	**112,020**
Foreign currency translation	(514)	–	(514)
Change in estimate	–	(23)	(23)
Additions	25,998	1,570	27,568
Acquisitions through business combinations	5,475	921	6,396
Disposals	(2,157)	(642)	(2,799)
(Impairment) / reversal of impairment provision, net	(931)	–	(931)
Transfers and reclassifications	(1,261)	–	(1,261)
Net book value at December 31, 2010	**134,852**	**5,604**	**140,456**
Historical cost	135,783	5,936	141,719
Accumulated depreciation and impairment	(931)	(332)	(1,263)
Net book value at December 31, 2010	**134,852**	**5,604**	**140,456**
Historical cost	**108,242**	**4,110**	**112,352**
Accumulated depreciation and impairment		**(332)**	**(332)**
Net book value at December 31, 2009	**108,242**	**3,778**	**112,020**

As at December 31, 2010 certain items of property, plant and equipment with net book value of 630,315 million Tenge (2009: 552,624 million Tenge) were pledged as collateral for some of the Group's borrowings.

As at December 31, 2010 the carrying amount of property, plant and equipment acquired under finance lease agreements, included in property, plant and equipment category was 27,253 million Tenge (2009: 36,512 million Tenge).

At December 31, 2010 the cost of fully amortised property, plant and equipment of the Group was 208,443 million Tenge (2009: 218,378million Tenge).

In 2010, the Group capitalized borrowing costs at the average capitalization rate of 4.75% in the amount of 4,200 million Tenge (2009: 7,236 million Tenge).

Impairment of property, plant and equipment

In 2010, the Group recognized impairment provision of 11,522 million Tenge, that is mainly attributable to impairment of property, plant and equipment of Kazakhstan Petrochemical Industries ("KPI", subsidiary of NC KMG) for a total amount of 7,690 million Tenge and KazMunayGas Refinery and Marketing JSC ("KMG RM" subsidiary of NC KMG) for a total amount of 2,095 million Tenge (2009: impairment of 14,326 million Tenge mainly attributable to impairment of property, plant and equipment of KMG RM of 9,017 Tenge and property, plant and equipment of Alliance Bank of 6,365 million Tenge.)

As of December 31, 2010 KPI recognized an impairment loss of 7,690 million Tenge on its property, plant and equipment. This impairment was recognized due to the suspension of production activities and absence of market for sale of such assets. Management assessed that the assets are not recoverable through normal operating activity or sale.

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.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of property, plant and equipment (continued)

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.

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.

As of December 31, 2010 the recoverable amount of Alliance Bank property, plant and equipment was determined based on the market approach.

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.

8. INTANGIBLE ASSETS

In millions of Tenge	Licenses	Software	Goodwill	Marketing related intangible assets	Subsurface use rights	Other	Total
Net book value at January 1, 2009 (restated*)	**29,719**	**20,041**	**29,519**	**22,282**	**9,647**	**15,530**	**126,738**
Foreign currency translation	28	233	7,127	5,096	–	3,301	15,785
Additions	1,721	7,183	5	27	3,591	4,206	16,733
Acquisitions through business combinations *(Note 5)*	–	1,560	128,057	–	–	11,895	141,512
Disposals	(972)	(244)	(156)	–	(3,833)	(577)	(5,782)
Amortization charge	(4,202)	(6,353)	–	(197)	(55)	(1,800)	(12,607)
Accumulated amortization on disposals	516	207	–	–	–	(16)	707
Impairment provision	–	–	(36,743)	–	–	–	(36,743)
Transfers from property, plant and equipment	26,583	2,296	–	–	–	4,793	33,672
Transfers to assets classified as held-for-sale *(Note 6)*	(18,660)	(2,953)	–	–	–	(209)	(21,822)
Transfers and adjustments	734	1,735	–	–	–	(2,469)	–
Net book value at December 31, 2009 (restated*)	35,467	23,705	127,809	27,208	9,350	34,654	258,193
Foreign currency translation	(12)	(121)	(267)	(182)	–	(228)	(810)
Additions	1,997	6,495	1,949	–	2,396	3,515	16,352
Acquisitions through business combinations *(Note 5)*	–	6	–	–	6,207	–	6,213
Disposals	(39)	(1,032)	–	–	(6)	(2,512)	(3,589)
Amortization charge	(3,501)	(7,756)	–	(193)	(51)	(5,154)	(16,655)
Accumulated amortization on disposals	11	850	–	–	–	48	909
Transfers to property, plant and equipment	(1)	(27)	–	–	–	–	(28)
Transfers from property, plant and equipment	163	4,112	–	–	–	312	4,587
Transfers and adjustments	307	89	–	–	–	(396)	–
Net book value at December 31, 2010	34,392	26,321	129,491	26,833	17,896	30,289	265,172

8. INTANGIBLE ASSETS (continued)

In millions of Tenge	Licenses	Software	Goodwill	Marketing related intangible assets	Subsurface use rights	Other	Total
Historical cost	48,574	54,713	200,968	27,705	18,029	40,232	390,221
Accumulated amortization and impairment	(14,182)	(28,392)	(71,477)	(872)	(133)	(9,993)	(125,049)
Net book value at December 31, 2010	34,392	26,321	129,491	26,833	17,896	30,239	265,172
Historical cost	48,235	43,787	199,285	27,563	9,404	41,779	370,053
Accumulated amortization and impairment	(12,768)	(20,082)	(71,476)	(355)	(54)	(7,125)	(111,860)
Net book value at December 31, 2009 (restated)	35,467	23,705	127,809	27,208	9,350	34,654	258,193

As at December 31, 2010, the subsurface use rights comprise the net book value of oil and gas and mining exploration and evaluation assets in the amount of 15,948 million Tenge and 1,948 million Tenge, respectively (2009: 8,365 million Tenge and 985 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	2010	2009
Refining and petrochemistry	**122,879**	123,131
Oil terminal and sea port	**2,355**	2,371
Total oil and gas	***125,234***	*125,502*
Corporate business	**2,975**	1,031
Retail business	**810**	810
Total financial institutions and innovation institutions	***3,785***	*1,841*
Total other	**472**	466
Total goodwill	**129,491**	127,809

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

Cash-generating units	2010	2009
Financial institutions and innovation institutions	–	35,436
Oil and gas	–	1,307
	–	36,743

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	
	2010	2009	**2010**	2009
Discount rate	7.9%-12.8%	8.8-14.6%	19.98%	19.11%
Aniticipated growth rate	1.5%-3.3%	1.5%-3.8%	–	–
Period, years	5	5	10	10

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	
	2010	2009	**2010**	2009
Discount rate	16.4%	13.96%	16.4%	13.96%
Aniticipated growth rate	4%	5%	4%	5%
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;
- Capital expenditures for 2011 – 2015.

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.

Capital expenditures

Capital expenditures represent expenditures required to maintain the existing conditions of the assets, no modernization or restructuring of the assets were planned.

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, Oil terminal and sea port. As at 31 December 2010, 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;

8. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill (continued)

Sensitivity to changes in assumptions (continued)

- 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.

Interest income

Interest margin is based on effective interest rates charged in 2010. 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:

In millions of Tenge	2010	2009 (restated)
Joint ventures:		
TengizChevroil LLP	**235,340**	227,760
KazRosGas JSC	**130,733**	91,610
Ekibastuzskaya GRES-1 LLP ("GRES-1")	**105,595**	–
KazGerMunay LLP	**79,998**	104,718
Kazakhoil-Aktobe LLP	**45,246**	37,231
Forum Muider BV	**34,341**	40,026
Ekibastuzskaya GRES-2 LLP ("GRES-2")	**19,361**	14,755
Valsera Holdings B.V.	**16,040**	17,576
Other	**68,571**	31,755
Less: Impairment	**(856)**	–
	734,369	565,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

In millions of Tenge	2010	2009
Associates:		
PetroKazakhstan Inc. ("PKI")	112,606	118,989
Shekerbank	80,267	76,839
GSM Kazakhstan LLP ("GSM")	53,786	48,131
JV KATCO LLP	29,556	14,206
BTA Bank (Ukraine)	16,672	11,814
Caspian Pipeline Consortium LLC	16,280	16,285
JV Betpakdala LLP	14,208	10,228
Halyk Bank JSC	–	101,960
Kazkommertsbank JSC	–	95,545
Other	47,357	42,387
Less: Impairment	(9,024)	(6,516)
	361,708	529,868
	1,096,077	1,095,299

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

Company	% in share capital 2010	2009
Joint ventures:		
TengizChevroil LLP	20.00%	20.00%
KazRosGas JSC	50.00%	50.00%
Ekibastuzskaya GRES-1 LLP ("GRES-1")	50.00%	–
KazGerMunay LLP	50.00%	50.00%
Kazakhoil-Aktobe LLP	50.00%	50.00%
Forum Muider BV	50.00%	50.00%
Ekibastuzskaya GRES-2 LLP ("GRES-2")	50.00%	50.00%
Valsera Holdings B.V.	50.00%	50.00%
Associates:		
PetroKazakhstan Inc. ("PKI")	33.00%	33.00%
Sekerbank	33.98%	33.98%
GSM Kazakhstan LLP («GSM»)	49.00%	49.00%
JV KATCO LLP	49.00%	49.00%
BTA Bank (Ukraine)	49.99%	49.99%
Caspian Pipeline Consortium LLC	20.75%	20.75%
JV Betpakdala LLP	30.00%	30.00%
Halyk Bank JSC	–	26.81%
Kazkommertsbank JSC	–	18.30%

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. Group's share in dividends receivable was 99 million US Dollars (equivalent to 14,688 million Tenge) as at December 31, 2009.

On November 23, 2010 the shareholders of PKI approved capital dividend in the amount of 400 million US Dollars in 2011 of which 33% relates to the Group. The Group recognized this distribution as dividends receivables, with the corresponding decrease in investment, in the amount of 19,457 million Tenge (132 million US Dollars) as of December 31, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

Acquisition of GRES-1

On December 9, 2009 the Fund has entered into agreement with Ekibastuz Holdings B.V. and Kazakhmys PLC on acquisition of a 50% share in Ekibastuz GRES-1 LLP. On 11 December 2009, the Fund has paid an advance of 680,854 thousand US Dollars (equivalent to 101,502 million Tenge as at the date of payment) for these shares.

On 12 July 2010, the Fund has completed a transaction on acquisition of a 50% share in Ekibastuz GRES-1 LLP.

Loss of significant influence over Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC

In accordance with the option agreements concluded by the Fund upon the acquisition of shares of Kazkommertsbank JSC ("Kazkommertsbank") and Halyk Bank of Kazakhstan JSC ("Halyk Bank") in 2009, the major shareholders obtained the right to purchase shares of these banks owned by the Fund at any time during a period from the first till fifth anniversary of the acquisitions (call options). The options became exercisable in the first half of 2010, which resulted in the loss the Fund's influence in the banks. As the result, the Fund lost significant influence in these associates and reclassified these investments into financial assets available for sale and recognized a gain of 19,881 million Tenge in profit and loss, representing the difference between the carrying value and fair value of these investments. During the year ended December 31, 2010 the Fund's ownership interest in these banks remained unchanged.

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

In millions of Tenge	2010	2009 (restated)
Balance as at January 1	**1,095,299**	656,099
Share of income of associates and joint ventures	**423,159**	279,575
Dividends received	**(321,476)**	(162,100)
Change in dividends received	**(4,769)**	(14,688)
Acquisitions	**111,942**	236,315
Foreign currency translation	**(6,351)**	102,593
Disposals	**(203,286)**	(733)
Transfers to assets classified as held for sale	**-**	(914)
Other changes in equity	**(822)**	996
Reversal of impairment / (Impairment)	**2,381**	(1,844)
Balance as at December 31	**1,096,077**	1,095,299

In 2010 the Group reduced the allowance for impairment of investments in PJSC "BTA Bank" (Ukraine) by KZT 2,402 million as a result of valuation of investment based on a five-year period financial plan approved by the management of the associate as well as in connection with mitigation of political risks in Ukraine in 2010.

In 2009 the Group recognised an impairment loss of 1,167 million Tenge representing 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 following tables illustrate summarized information of the Group's investment in joint ventures and associates at December 31 (Group's proportional share):

In millions of Tenge	2010	2009 (restated)
Total assets and liabilities of joint ventures and associates at December 31		
Total assets	**2,292,773**	3,412,256
Total liabilities	**(1,200,110)**	(2,319,297)
Net assets	**1,092,663**	1,092,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

Loss of significant influence over Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC (continued)

In millions of Tenge	2010	2009
Total revenue and net profit in joint ventures and associates for the year		
Revenue	1,538,332	1,060,180
Net profit	422,491	279,575

As at December 31, 2010 the Group's share in unrecognized accumulated losses of joint ventures and associates amounted to 88,680 million Tenge (2009: 95,849 million Tenge).

10. LOANS TO CUSTOMERS

As at December 31 loans to customers comprised:

In millions of Tenge	2010	2009
Loans to large entities	1,996,095	1,724,292
Loans to individuals	663,885	663,388
Loans to small and medium business	247,664	242,926
Finance leasing	37,489	21,190
Other loans	6,936	16,094
Total loans	2,952,069	2,667,890
Less: Impairment provision	(1,175,076)	(1,167,076)
Loans to customers, net	1,776,993	1,500,814
Less: current portion	(562,849)	(347,755)
Non-current portion	1,214,144	1,153,059

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

In millions of Tenge	2010	2009
Allowance at January 1	1,167,076	23,356
Charged	146,369	930,624
Written-off	(4,269)	(68,864)
Recovered	(117,366)	2,968
Foreign currency translation	(16,698)	282,274
Change in estimate	(36)	(3,282)
Allowance at December 31	1,175,076	1,167,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. LOANS TO CUSTOMERS (continued)

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

In millions of Tenge	2010	2009
Loans for which no impairment has been identified:		
Standard loans	1,110,700	914,395
Less:impairment provision	(22,540)	(69,932)
Standard loans, net	1,088,160	844,463
Impaired loans:		
Individually impaired	1,300,610	1,386,235
Less:impairment provision	(801,370)	(885,318)
Individually impaired loans, net	499,240	500,917
Overdue loans:		
- less than 90 days	49,073	115,220
- over 90 days, but less than 1 year	193,136	128,726
- over 1 year	298,550	123,314
Less:impairment provision	(351,166)	(211,826)
Overdue loans, net	189,593	155,434
Total impaired loans	688,833	656,351
Total loans	1,776,993	1,500,814

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

In millions of Tenge	2010	2009
Within one year	20,875	8,487
Later than one year, but not later than five years	21,974	13,317
After five years	4,602	3,494
Minimum lease payments	47,451	25,298
Less unearned finance income	(9,962)	(4,108)
Less impairment provision	(1,553)	(1,485)
Net investment in finance leases	35,936	19,705

As at December 31 the ageing analysis of loans to customers, is as follows:

In millions of Tenge	2010	2009
Maturities less than 1 year	562,849	347,755
Maturities over 1 year	1,214,144	1,153,059
	1,776,993	1,500,814

11. AMOUNTS DUE FROM CREDIT INSTITUTIONS

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

In millions of Tenge	2010	2009
Bank deposits	1,053,077	983,054
Amounts due from credit institutions	354,699	538,061
Less: impairment	(64,125)	(63,658)
Amounts due from credit institutions, net	1,343,651	1,457,457
Less: current portion	(964,085)	(982,938)
Non-current portion	379,566	474,519

11. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

In millions of Tenge	2010	2009
10 largest local banks	1,157,640	1,348,776
Other local credit institutions	31,975	27,923
International credit institutions	154,036	80,758
	1,343,651	1,457,457

In millions of Tenge	2010	2009
Ratings from AAA (Aaa) to AA-(Aa3)	8,186	8,186
Rating from A+(A1) to A-(A3)	2,486	3,294
Rating from BBB+(Baa1) to BBB(Baa2)	36,085	9,065
Rating from BBB-(Baa3) to BB-(Ba3)	144,570	154,640
Rating from B+(B1) to B-(B3)	1,030,995	1,208,716
Rating from CCC+(Caa1) to CC(Ca)	7,059	–
Rating from C(C) to D(D)	–	37
Rating is not defined	114,270	73,519
	1,343,651	1,457,457

In millions of Tenge	2010	2009
Amounts due from credit institutions, denominated in USD	687,971	684,994
Amounts due from credit institutions, denominated in Tenge	647,703	711,415
Amounts due from credit institutions, denominated in other currencies	7,977	61,048
	1,343,651	1,457,457

As at December 31, 2010 the weighted average interest rate for amounts due from credit institutions was 5.92% (2009: 8.06%).

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

In millions of Tenge	2010	2009
Allowance at January 1	63,658	28,832
Charged	31,167	62,841
Foreign currency translation	(924)	1,089
Recovered	(22,063)	(28,762)
Written-off	(7,713)	(342)
Allowance at December 31	64,125	63,658

As at December 31, 2010 bank deposits include cash of 1,002 million Tenge pledged as collateral for certain Group borrowings (2009: 75 million Tenge) (*Note 18*).

As at December 31, 2010 bank deposits included cash and cash equivalents of 38,361 million Tenge restricted in use that can be, mainly, used for the purposes specified in certain loan agreements of the Group (2009: 25,083 million Tenge).

12. OTHER FINANCIAL ASSETS

Financial assets comprised the following at December 31:

In millions of Tenge	2010	2009
Note receivable from joint venture participant	**20,357**	21,351
Note receivable from associate participant *(Note 5)*	**17,987**	16,075
Available for sale financial assets	**691,102**	209,590
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**102,663**	78,880
NBRK notes	**1,054**	4,268
Corporate bonds	**38,056**	43,008
Bonds of Kazakhstan financial agencies	**57,170**	21,558
Bonds of international financial organizations	**5,984**	1,677
Other debt securities	**3,776**	1,400
Equity securities	**489,893**	67,169
Less: Impairment	**(7,494)**	(8,370)
Subject to repurchase agreement	***8,700***	*9,411*
Held to maturity financial assets	**77,623**	6,386
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,422**	5,550
NBRK notes	**114**	–
Corporate bonds	**8,330**	836
Bonds of Kazakhstan financial agencies	**54,916**	–
Other debt securities	**3,496**	–
Less: Impairment	**(655)**	–
Securities purchased under reverse repurchase agreements	**6,250**	210
Securities purchased under reverse repurchase agreements	**6,250**	210
Financial assets at fair value through profit and loss	**23,781**	4,411
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**1,987**	–
Corporate bonds	**11,454**	158
Bonds of Kazakhstan financial agencies	**2,888**	–
Unquoted investments in venture capital organizations	**2,928**	–
Unquoted equity share investments	**4,497**	4,253
Other debt securities	**27**	–
Finance lease receivable	**–**	43
Trading securities	**121,203**	132,189
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**35,768**	28,611
Corporate bonds	**31,878**	46,290
Bonds of Kazakhstan financial agencies	**9,160**	11,668
Bonds of international financial organizations	**–**	8,776
Treasury bills of foreign states	**8,863**	3
Other equity securities	**30,035**	36,841
Other debt securities	**5,499**	–
Derivative financial instruments	**5,556**	26,182
Options	**5,114**	14,385
Interest rate swaps	**–**	11,797
Other	**442**	–
Total financial assets	**963,859**	416,437
Less: current portion	**(445,354)**	(198,722)
Non-current portion	**518,505**	217,715

12. FINANCIAL ASSETS (continued)

As at December 31, 2010 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 14%, from 3.6% to 15% and from 6.5% to 6.8%, respectively (2009: from 0.01% to 18.9%, from 3.27% to 8.5% and from 11.3% to 12.5%).

In millions of Tenge	2010	2009
Financial assets denominated in USD	328,170	206,236
Financial assets denominated in KZT	621,223	196,669
Financial assets denominated in other currency	14,466	13,532
	963,859	416,437

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

In millions of Tenge	2010	2009
Allowance at January 1	8,370	2,184
Charge	4,567	6,900
Written-off	(4,120)	(469)
Recovered	(668)	(245)
Allowance at December 31	8,149	8,370

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 753.2 million US Dollars (111,020 million Tenge) as at December 31, 2010 (2009: 790.5 million US Dollars or 117,289 million Tenge) till 2020. 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, 2010 amounted to 138.1 million US Dollars (2009: 143.9 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.

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) – shares of «Toshiba Nuclear Energy Holdings (US) Inc.» and «Toshiba Nuclear Energy Investments UK Ltd»

In 2007 KazAtomProm (KAP) purchased 400 Class A ordinary shares of Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") for 400,000 thousand US Dollars 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 140,000 thousand US Dollars 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").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. FINANCIAL ASSETS (continued)

Equity securities (available for sale financial assets) – shares of «Toshiba Nuclear Energy Holdings (US) Inc.» and «Toshiba Nuclear Energy Investments UK Ltd» (continued)

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, 2010 carrying value of investments was 66,005 million Tenge (2009: 66,005 million of Tenge).

Equity securities (available for sale financial assets) – shares of Kazakhmys PLC

On 5 October 2010 the Fund has acquired 11% of ordinary shares of Kazakhmys PLC. Consideration paid amounted to 198,028 million Tenge. Kazakhmys PLC is the largest copper producer and the owner of coalmines and power stations in Kazakhstan.

Fair value of equity securities of Kazakhmys PLC as of December 31,2010 as at December 31, 2010 was determined based on published quotations on active market and amounted to 216,937 million Tenge.

Equity securities (available for sale financial assets) – shares of Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC

As a result of loss of significant influence over Kazkommertsbank JSC and Halyk Bank Kazakhstan JSC, these investments were reclassified from investments in associates (*Note 9*). As at December 31, 2010 carrying value of shares of Halyk Bank JSC and Kazkommertsbank JSC amounted to 132, 204 million Tenge (2009: nil) and 73,159 million Tenge, respectively (2009: nil).

13. OTHER NON-CURRENT ASSETS

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

In millions of Tenge	2010	2009
Advances paid for non-current assets	150,814	177,444
Long-term VAT recoverable	64,849	27,293
Long-term inventory	8,989	7,078
Other	24,359	13,647
Less: Impairment allowance	(26,326)	(18,930)
	222,685	206,532

13. OTHER NON-CURRENT ASSETS (continued)

Movements in impairment allowance for VAT recoverable are as follows:

In millions of Tenge	2010	2009
At 1 January	18,930	14,626
Charge for the year	7,396	4,304
At 31 December	**26,326**	18,930

As at December 31, 2010 advances paid for non-current assets, mainly, comprise of the following:

Atyrau Refinery LLP (subsidiary of NC KMG) paid 48,920 million Tenge to Sinopec Engineering for construction of the aromatic hydrocarbons plant (2009: 7,941 million Tenge);

Real Estate Fund Samruk-Kazyna paid advances of 23,145 million Tenge to construction companies (2009: 22,926 million Tenge). The Group concludes agreements with construction companies (the "Contractor") on acquisition of residential and non-residential premises and parking lots in Astana and Almaty. In accordance with terms of the agreements, the Group is committed to make prepayments to the Contractors and the Contractors are committed to complete the construction in accordance with the set deadlines. The Group becomes the owner of the respective premises upon completion of the construction by the Contractor. Completion of the prepaid properties is expected in a period from 2011 to 2012.

NC KTZh paid advances for construction of the "Uzen – state border with Turkmenistan" and "Khorgoz – Zhetigen" railway lines in the amount of 2,840 million tenge (2009: nil) and 6,814 million tenge (2009: nil), and 12,789 million tenge for the purchase of spare parts for assembly of locomotives (2009: nil).

Remaining advances paid for the total amount of 37,779 million Tenge (2009: 16,512 million tenge) represent prepayments for supply of property, plant and equipment and completion of construction works.

As at December 31, 2009 advances paid for non-current assets also included advances paid for 50% of shares of Ekibastuz GRES-1 totalling to 101,502 million Tenge (*Note 9*).

14. INVENTORIES

Inventories comprised the following at December 31:

In millions of Tenge	2010	2009
Refined products for sale	51,994	58,074
Crude oil	44,377	29,256
Uranium products	35,504	34,038
Work in process	32,937	13,860
Owned bid security	31,907	15,096
Oil and gas industry materials and supplies	31,674	50,171
Gas products	26,895	30,787
Goods for resale	21,052	2,510
Production materials and supplies	18,763	5,861
Railway materials and supplies	14,397	26,302
Fuel	9,796	5,640
Electric transmission spare parts	4,234	4,218
Telecommunication spare parts	3,273	1,852
Uranium materials and supplies	981	5,512
Other materials and supplies	26,102	7,757
Less: write-down to net realizable value	(12,287)	(16,579)
	341,599	274,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following at December 31:

In millions of Tenge	2010	2009
Trade accounts receivable	271,391	220,530
Less: provision allowance	(19,785)	(18,818)
	251,606	201,712

Other current assets comprised the following at December 31:

In millions of Tenge	2010	2009
Advances paid and deferred expenses	105,398	104,235
Other taxes prepayment	24,960	20,778
Dividends receivable *(Note 9)*	24,288	17,330
Asset to the advantage of the Shareholder (*Note 4*)	14,479	–
Prepayment to the Shareholder on dividends	7,056	8,645
Restricted cash	2,474	25,970
Assets to be transferred under finance lease agreements	2,075	5,818
Amounts due from employees	1,971	776
Obligatory reserve with the National Bank of RK	1,212	1,020
Other trade accounts receivable	18,872	18,866
Other	68,490	33,163
Less: provision	(32,471)	(24,364)
	238,804	212,237

At December 31, 2010 the Group's receivables amounting to 16,835 million Tenge were pledged under loan agreements (2009: 15,992 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.

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

In millions of Tenge	2010	2009
Reserve at January 1	43,182	35,736
Charge for the year	19,423	17,740
Foreign currency translation	(1,094)	1,712
Utilised	(11,409)	(7,119)
Recovered	(3,576)	(4,052)
Transfers to assets classified as held for sale (*Note 6*)	-	(4)
Loss of control over subsidiary	5,730	(831)
At December 31	52,256	43,182

As at December 31, 2010, 2009 trade accounts receivable and other current assets were not interest bearing.

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

			Past due but not impaired				
In millions of Tenge	Total	Neither past due nor impaired	<30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
2010	**251,606**	**167,415**	**48,976**	**6,590**	**9,030**	**2,991**	**16,604**
2009	201,712	146,837	27,269	7,907	2,178	7,088	10,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at December 31:

In millions of Tenge	2010	2009
Bank deposits – US Dollars	306,707	112,456
Bank deposits – Tenge	211,972	422,830
Bank deposits – other currency	9,562	8,073
Current accounts with banks – Tenge	697,078	501,029
Current accounts with banks – US Dollars	305,639	181,851
Current accounts with banks – other currency	47,061	31,900
Cash on hand	61,205	53,123
Cash in transit	236	73
Impairment allowance	–	(203)
	1,639,460	1,311,132

As at December 31, 2010 Group's cash and cash equivalent of 157 million Tenge represent guarantee payments under finance lease contracts and are restricted in use (2009: nil).

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, 2010 the weighted average interest rate for time deposits with banks was 1.21% (2009: 2.63%).

17. EQUITY

Share capital

During 2010 and 2009 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
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**
Contributions in cash	14,144,838	10,000; 5,000; 1,000	141,448
Contributions of state-owned shares	21,627	100,000	2,162
As at December 31, 2010	**3,479,076,667**		**3,891,909**

As at December 31, 2010 3,479,076,667 shares (2009: 3,464,910,202 shares) were fully paid.

17.1 Share capital

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.
- 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.

17. EQUITY (continued)

Share capital (continued)

17.1 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.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.

2010

Contributions in cash

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2010-2012" dated December 7, 2009, during the year 2010 the Government contributed cash to the Fund's equity in the amount of 141,448 million Tenge. This amount was mostly intended for financing of investment projects implemented by subsidiaries.

Contribution in the form of other assets

Also, during 2010 the Government contributed other assets with fair value of 2,163 million Tenge as of the date of contribution.

17.2 Discount of loans from the Government

During 2010 the Fund received from the Government loans, bearing lower-than-market interest rates (*Note 19*). Bonds discount at initial recognition in the amount of 111,144 million Tenge was recognized in the consolidated statement of changes in equity (2009: 461,255 million Tenge).

17.3 Dividends

On March 26, 2010, the Government approved the order of distribution of the Fund's net income for 2008 amounting to 8,646 million Tenge. This amount was paid on December 15, 2009 according to the Decision of the Board of Directors of the Fund dated September 30, 2009.

17.4 Other transactions with the Shareholder

In accordance with a swap agreement signed in 2010 between the Committee of Spate Property and Privatization ("Committee") and the Fund, the Fund transfers to the State shares of Social-Entrepreneurship Corporations ("SEC") and National Innovation Fund JSC in exchange for the State's 42% interest in Pavlodar Petrochemical Plant JSC ("PPP"), 1.67% interest in Kazakh British Technical University ("KBTU"), 90% interest in Karagandagiproshakht JSC and other real estate and property.

17. EQUITY (continued)

Share capital (continued)

17.4 Other transactions with the Shareholder (continued)

In 2010 the Fund transferred shares of SEC and NIF to the state ownership and received shares of PPP, KBTU and Karagandagiproshakht LLP and other real estate and property. The management considers these transactions as contributions from and distributions to the Shareholder. Therefore, the transfer of SPK and NIF and receipt of shares of PNHZ, KBTU and Karagandagiproshakht and other real estate and property, was recorded as a distribution of retained earnings of 55,569 million Tenge and a disposal of non-controlling interest of 22,584 million Tenge, that represents difference between fair value of disposed net assets of SPK and NIF and received shares of PPP, KBTU and Karagandagiproshaht and other assets.

Prior to receipt of 42% shares of PPP from the Shareholder, the Group acquired 58% of shares of PPP though its subsidiary KMG (*Note 5*). Non-controlling interest of 5,253 million Tenge was charge to retained earnings.

17.5 Change in ownership interests of subsidiaries – capital contribution by non-controlling shareholders

2009

BTA Bank

On February 2, 2009 the Fund purchased 75.1% of BTA Bank shares. The non-controlling interest in net assets of the bank on the acquisition date, including non-controlling interest on the bank's level, was 139,090 million Tenge. As at the date of reporting the non-controlling interest was fully written-off due to BTA Bank net loss allocated to the minority interest. The amount of non-controlling 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. The difference between the amount paid and carrying value of disposed non-controlling interest of 1,593 million Tenge was recognized in retained earnings.

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 non-controlling interest in net assets of SEC was 31,536 million Tenge.

2010

JSC National Innovational Fund ("NIF")

During 2010 the Government made an additional contribution to NIF, that resulted in a decrease of the Fund's share from 100% to 51.98%. As a result the non-controlling interest increased by 12,324 million Tenge and the difference of 9,488 million Tenge between the non-controlling interest and the carrying value of the net assets disposed was charged to retained earnings.

Alliance Bank JSC

Under the debt restructuring plan of Alliance Bank, in March of 2010 the Fund purchased additional common and preferred shares issued by the bank. Concurrently, the Fund transferred to the bank's creditors 33% of the bank's ordinary and preferred shares resulting in a decrease in the Fund's interest in the bank to 67% of ordinary and preferred shares. As the result the Fund recorded an increase in retained earnings in the amount of 59,747 million Tenge and a corresponding decrease in the carrying value of the non-controlling interests in these interim consolidated financial statements.

17. EQUITY (continued)

Share capital (continued)

17.5 Change in ownership interests of subsidiaries – capital contribution by non-controlling shareholders (continued)

2010 (continued)

Temirbank JSC

As part of the BTA Bank restructuring plan approved in March 2010, during the period the Fund acquired newly issued ordinary shares of Temirbank JSC ("Temirbank"), a subsidiary of BTA Bank. Concurrently, the Fund transferred to the bank's creditors 20.12% of the Temirbank's shares resulting in the Fund's interest in the bank of 79.88%. As result of the transaction, the Fund recorded a decrease in retained earnings in the amount of 27,596 million Tenge and a corresponding increase in the carrying value of the non-controlling interests in these consolidated financial statements.

BTA Bank JSC ("BTA Bank")

Within the restructuring plan, approved in March 2010, the Fund has acquired shares issued by BTA Bank. Concurrently, the Fund has provided 17.80% of the bank's ordinary shares to the creditors of BTA Bank, after which the Fund's share amounted to 82.20%. As a result of the transaction the Fund has recognized in these consolidated financial statements a decrease of retained earnings of 111,579 million Tenge and respective increase of the non-controlling interest.

National Company Kazakhstan Engineering JSC ("Kazakhstan Engineering")

During 2010 the Government made a contribution to the equity of Kazakhstan Engineering, that resulted in a decrease of the Fund's share from 100% to 61%. As a result of the transaction non-controlling interest increased by 5,432 million Tenge and difference between the non-controlling interest and the carrying value of net assets disposed totaling to 712 million Tenge was charged to retained earnings.

Convertible debt instrument and related litigations of National company KazMunayGas ("NC KMG")

As of December 31, 2009 the NC KMG had an outstanding balance of 3,353 million Tenge of a convertible debt instrument issued by a significant subsidiary of TRG – Rompetrol Rafinare S.A. to the Romanian State. The nominal value of liabilities equaled to 570.3 million Euro (112,280 million Tenge). The instrument had seven years maturity and expired on September 30, 2010. Fair value of the debt component at the initial recognition was determined as the discounted future contractual cash payments under the instrument. Under the share ownership as of December 31, 2009 the Group would have lost control over Rompetrol Rafinare S.A., if the entire debt instrument was settled at September 30, 2010 by issuance of new shares to the Romanian State, without any further action by TRG and/or Rompetrol Rafinare S.A.

During the first half of 2010 in order to increase its interest in Rompetrol Rafinare S.A., NC KMG was required to make a public offer to all shareholders. In August 2010 Rompetrol Rafinare S.A. increased its share capital by issuance of new shares amounting to RON 329,492,067 (equivalent of 78 million Euro at the date of subscription), all of which were subscribed and fully paid for by TRG, further increasing the Group's interest in Rompetrol Rafinare S.A. Of these proceeds from the share issuance, during the same month, Rompetrol Rafinare S.A. repaid 54 million Euro (equivalent to 10,464 million Tenge) out of the total debt of 570.3 million Euro in relation to the convertible debt instrument to the Romanian State. In September 2010, Rompetrol Rafinare S.A. paid the last coupon, amounting to 17 million Euro (equivalent to 3,315 million Tenge), leading to a nil balance of the liability component of the instrument.

On September 30, 2010 the Extraordinary General Meeting of the shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed convertible debt instrument into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian State for the convertible debt it held, calculated based on the exchange rate in force on such date, together with a share premium calculated as a difference of the exchange rate valid on September 30, 2010 and issuance date on September 30, 2003. This resulted in a non-controlling position of the Romanian State in Rompetrol Rafinare S.A. of 44.6959%.

These transactions resulted in a decrease of the retained earnings by 113,467 million Tenge and increase of non-controlling interests by 103,003 million Tenge.

17. EQUITY (continued)

Share capital (continued)

17.5 Change in ownership interests of subsidiaries – capital contribution by non-controlling shareholders (continued)

2010 (continued)

Convertible debt instrument and related litigations of National company KazMunayGas ("NC KMG") (continued)

In August 2010, the Romanian State, represented by the Ministry of Public Finance of the Romanian State, initiated a legal action against the decision of Rompetrol Rafinare S.A. to increase the share capital and convert the convertible debt instrument partially in cash and partially by issuance of shares.

The Ministry of Public Finance lost the first case against Rompetrol Rafinare S.A. in the Constanta Court. The next court sessions are scheduled for 2011. If the Romanian State prevails and the increase in share capital is rejected in the court, the Group would lose control over Rompetrol Rafinare S.A.

Furthermore, on November 17, 2010 the Ministry of Public Finance of the Romanian State issued a Summons and Forced Execution Title for the amount of RON 2,205,592,436 (for presentation purposes EUR 516.3 million and, at the exchange rate as of December 31, 2010 is 100,797 million Tenge) as a result of the Romanian Authorities disagreement with the decision of the Group to partially settle the instrument by issuance of shares. Rompetrol Rafinare S.A. filed a claim against a forced execution requesting cancelation of the Summons and Forced Execution Title. On January 14, 2011, the Constanta Court of Appeal suspended the enforcement and any effects of the Forced Execution Title. The next hearings with respect to the annulment of the Forced Execution Title are scheduled for April of 2011.

In addition, on September 10, 2010 the Romanian authorities, represented by The National Agency for Fiscal Administration (ANAF), issued a decision for a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except for inventories. This measure is still in force and being challenged by the Group. As of reporting date this seizure has not been enforced as the Romanian authorities did not initiate forced execution procedures. Management believes that the enforcement of the seizure by the authorities would not be practicable.

Management believes the legal actions against the Group have no legal grounds and the Group will succeed.

17.6 Change in ownership interests of subsidiaries – acquisition of non-controlling interest

2010 acquisition of non-controlling interests in subsidiaries of TRG

During the year ended December 31, 2010 the Group acquired additional shares in Rompetrol Rafinare S.A., Rompetrol Well Services S.A., Rompetrol Bulgaria and Rompetrol Georgia. Details of these additional acquisitions are discussed below.

On January 27, 2010 the Group initiated the mandatory public offer for the acquisition from non-controlling shareholders of 132.77 million Rompetrol Well Services S.A. shares available on stock exchange, for a price of RON 0.43 per share. On February 23, 2010 the Group acquired additional 20.74% shares of Rompetrol Well Services S.A. for a total amount of RON 24.8 million (equivalent to 1,212 million Tenge at an average rate of currency exchange for 2010). After the public offer, the Group controls 73.01% of Rompetrol Well Services S.A.

On February 8, 2010 the Group initiated the mandatory public offer for the acquisition from non-controlling shareholders of 5,062.17 million Rompetrol Rafinare S.A. shares available on stock exchange, for a price of RON 0.0751 per share. After the closing of the offer period, on March 26, 2010, the Group acquired an additional 22.14% of the share capital of Rompetrol Rafinare S.A., for an amount of RON 358 million (equivalent to 16,740 million Tenge at an average rate for twelve-month period ended December 31, 2010). After the public offer, the Group controlled 98.6% of Rompetrol Rafinare S.A. The interest in Rompetrol Rafinare S.A. decreased as of September 2010 to 54.62% through the conversion of the convertible debt instrument.

17. EQUITY (continued)

Share capital (continued)

17.6 Change in ownership interests of subsidiaries – acquisition of non-controlling interest (continued)

2010 acquisition of non-controlling interests in subsidiaries of TRG (continued)

As a result of the above-mentioned acquisitions:

- Non-controlling interest decreased by 65,335 million Tenge; and
- 47,302 million Tenge relating to the difference between the carrying values of the net assets attributable to acquired interests in these subsidiaries and the consideration paid for such increases was allocated to retained earnings.

17.7 Acquisition of treasury shares by subsidiary

NC KMG

In 2010, Exploration and Production KazMunayGas JSC increased its treasury stock due to share repurchase program (1,346,213 preferred shares repurchased) for 24,532 million Tenge (2009: 1,499,180 common shares for 21,381 million Tenge). The carrying value of the derecognized non-controlling interest was 20,535 million Tenge as of December 31, 2010 (2009: 19,788 million Tenge). The difference between the amount paid and carrying value of acquired non-controlling interest derecognized of 3,997 million Tenge was recognized in retained earnings in 2010 (2009: 1,593 million Tenge).

17.8 Other distributions to the Shareholder

During the year, ended December 31, 2010, the other distributions to the Shareholder represent an obligation, under a Government degree, in relation to construction of the following objects in Astana city: Kazakhstan History Museum (KMG), "building for a teleradio-complex" (KTZh) and "Student's Palace" (Kazatomprom). Upon the completion of the construction these assets will be transferred to the Government free of charge, as a result the Group has recognized the constructive obligation of which the amount of future probable cash outflows is reliably measured (*Note 4*). The estimated cost of the construction is 71,582 million Tenge and was recognized as distribution to the Shareholder in the consolidated statement of changes in equity.

17.9 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*.

17.10 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.

17. EQUITY (continued)

Share capital (continued)

17.11 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:

	2010	2009
Net profit /(loss) attributable to ordinary equity holders of the parent from continuing operations	544,347	(561,054)
Net profit/(loss) attributable to ordinary equity holders of the parent from a discontinued operation	644	(5,267)
Net profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	**544,991**	(566,321)
Weighted average number of ordinary shares for basic and diluted earnings per share	3,456,629,660	3,452,952,916

17.12 Book value of shares

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of Tenge	2010	2009
Total assets	12,815,308	11,074,049
Intangible assets	(265,172)	(258,193)
Total liabilities	(7,392,894)	(6,329,042)
Net assets for common shares	**5,157,242**	4,486,814
Number of common shares as of December 31	**3,479,076,667**	3,464,910,202
Book value per share, Tenge	1,482	1,295

18. BORROWINGS

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

In millions of Tenge	2010	2009
Fixed interest rate borrowings	2,255,097	2,008,094
Weighted average interest rate	7.62%	7.62%
Variable interest rate borrowings	1,827,029	1,320,468
Weighted average interest rate	3.93%	4.44%
	4,082,126	3,328,562
Less: amounts due for settlement within 12 months	(854,117)	(1,093,691)
Amounts due for settlement after 12 months	**3,228,009**	2,234,871

18. BORROWINGS (continued)

In millions of Tenge	2010	2009
US Dollar-denominated borrowings	3,664,005	2,650,184
Tenge-denominated borrowings	301,487	244,965
Other currency-denominated borrowings	116,634	433,413
	4,082,126	3,328,562

Under the terms and conditions of certain borrowing agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. At December 31, 2010 and 2009, Group management believes that the Group's subsidiaries complied with all the covenants (*Note 44*).

19. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from Government comprised the following at December 31:

In millions of Tenge	2010	2009
Loans from the Government of the Republic of Kazakhstan	878,957	869,964
Advances for project finance	–	6,848
	878,957	876,812
Less: amounts due for settlement within 12 months	(473,195)	(593,599)
Amounts due for settlement after 12 months	405,762	283,213

2010

As of December 31, 2010 the loans from the Government of the Republic of Kazakhstan comprised a loan obtained by BTA bank, under repurchase agreements under the pledge of debt securities of the Fund, from National Bank of the Republic of Kazakhstan in the amount of 449,756 million Tenge (2009: 405,487 million Tenge). As of December 31, 2010 the fair value of these debt securities was 333,731 million Tenge (2009: 359,058 million Tenge).

In 2010 the Fund has placed 220,000,000 coupon bonds with nominal value of 1,000 Tenge per bond for the total amount of 220,000 million Tenge. The maturity of bonds is 15 years, coupon interest at the amount of 0.4% shall be paid semi-annually. 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 and subsequently are carried at amortized cost. The difference between nominal cost of loans and their fair value at the amount of 102,732 million Tenge was recognized in the consolidated statement of changes in equity as additional contribution of Shareholder. As of December 31, 2010 the carrying value of the loans was 118,596 million Tenge (2009: nil).

Amounts obtained from placement of these bonds were used for: acquisition of shares of Kazakhmys PLC and expenses related to the acquisition of these shares.

In accordance with the Law of the Republic of Kazakhstan "On Republican budget for 2010-2012" dated December 7, 2009, on December 2010 the Fund has obtained 2 loans from the Ministry of Industry and New Technologies of the Republic of Kazakhstan to the total amount of loan is 18,803 million Tenge with interest rates ranging between 0.25% and 0.5%. Loans were granted for the period from 11 to 20 years and intended for the following purposes:

- Providing loan to House Construction Savings Bank of Kazakhstan JSC at the amount of 15,163 million Tenge in order to grant housing loans to certain categories of citizens at the interest rate of 1% per annum;
- Providing loan to Doszhan Temir Zholy JSC at the amount of 3.640 million Tenge to finance project "Construction and operation of new railway line "Railway station Shar – Ust-Kamenogorsk". The interest rate should not exceed 0.5% per annum.

When initially recognized, these loans were measured at fair value equal to 10,391 million Tenge using appropriate market interest rate and subsequently are carried at amortized cost. The difference between nominal cost of loans and their fair value in the amount of 8,412 million Tenge was recognized in the consolidated statement of changes in equity. As of December 31, 2010 the carrying value of borrowings was 10,391 million Tenge (2009: nil).

19. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN (continued)

2010 (continued)

Also, as of December 31, 2010 the loans from the Government of the Republic of Kazakhstan comprised the funds received from the state budget to support certain industries, including gas processing and chemical industries. The interest rates for the loans are from 0.1% to 8.4%, depending on the purpose of the loans.

2009

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 is 15 years and 20 years, coupon interest at the amount of 0.02% and 1% shall be paid semi-annually. 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. As at December 31, 2010 carrying value of this liability amounted to 209,796 million Tenge (2009: 191,991 million Tenge).

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:

- 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. As at December 31, 2010 carrying value of this liability amounted to 15,629 million Tenge (2009: 14,871 million Tenge).

20. OTHER NON-CURRENT LIABILITIES

Payables for acquisition for participation 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 Dollars (263 billion Tenge) 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, 2010 the carrying value of pledged assets (property, plant and equipment, and exploration and evaluation assets) was 530,100 million Tenge (2009: 447,382 million Tenge).

As at December 31, 2010 carrying value of this liability amounted to 314,566 million Tenge. (2009: 312,052 million Tenge).

20. OTHER NON-CURRENT LIABILITIES (continued)

Disposal of 49% share in Semizbai-U

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

As at December 31, 2010 carrying value of this liability amounted to 40,021 (2009: 38,592 million Tenge).

Liabilities related to preferred shares of Alliance Bank JSC

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. The Restructuring was successfully finalized on March 26, 2010 and in exchange for restructurized debt the bank has issued to creditors new debt securities, and preference shares with the fair value of a liability component in the amount of 20,135 million Tenge. The liability component of preference shares was recognised at fair value at initial recognition. Fair value was calculated as the discounted net present value of the minimum guaranteed dividends. The bank used the same benchmark financial instruments to select the discount rates for this net present value calculation as it used to discount KZT denominated subordinated debt notes. These discount rates range between 10.34% and 13.32% depending on the timing of the dividends.

The carrying value of liability component of preference shares of at December 31, 2010 is 22,230 million Tenge (2009: nil).

21. 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, 2010 calculation of interest amounts was based on effective interest rates ranging from 5.22% to 18.25% (2009: from 4% to 18.26%).

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

21. FINANCE LEASE LIABILITIES (continued)

In millions of Tenge	2010 Minimum lease payments	2010 Present value of minimum lease payments
Within one year	11,635	9,317
Two to five years inclusive	15,831	12,175
After five years	3,773	2,704
Less: amounts representing finance charges	(7,043)	–
Present value of minimum lease payments	**24,196**	**24,196**
Less: amounts due for settlement within 12 months		(9,317)
Amounts due for settlement after 12 months		**14,879**

In millions of Tenge	2009 Minimum lease payments	2009 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**

22. PROVISIONS

Provisions comprised the following at December 31:

In millions of Tenge	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Provision at December 31, 2008	**25,498**	**31,233**	**30,162**	–	**13,608**	**100,501**
Foreign currency translation	1,359	2,167	92	–	568	4,186
Change in estimate	(3,815)	941	(670)	27,890	(5,508)	18,838
Unwinding of discount	2,068	25	–	–	246	2,339
Provision for the year	6,866	10	17,019	(70,599)	6,472	(40,232)
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)	–	(1,548)	(14,403)
Provision at December 31, 2009	**28,686**	**30,927**	**34,635**	**59,127**	**7,439**	**160,814**
Foreign currency translation	–	(43)	(53)	(218)	(13)	(327)
Change in estimate	1,323	813	(1,340)	–	(1,053)	(257)
Unwinding of discount	2,417	20	1	–	18	2,456
Provision for the year	3,054	995	8,414	329	82,360	95,152
Additions through business combinations (*Note 5*)	–	11	–	–	–	11
Discontinued operation	–	–	–	(3)	–	(3)
Use of provision	(1,499)	(2,212)	(8,921)	3,143	(3,002)	(12,491)
Reversal of unused amounts	–	(942)	(7,803)	(61,838)	(86)	(70,669)
Provision at December 31, 2010	**33,981**	**29,569**	**24,933**	**540**	**85,663**	**174,686**

22. PROVISIONS (continued)

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

In millions of Tenge	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Current portion	745	3,170	23,886	30	80,299	108,130
Long-term portion	33,236	26,399	1,047	510	5,364	66,556
Provision at December 31, 2010	**33,981**	**29,569**	**24,933**	**540**	**85,663**	**174,686**
Current portion	1,000	6,679	31,945	31,740	6,777	78,141
Long-term portion	27,686	24,248	2,690	27,387	662	82,673
Provision at December 31, 2009	**28,686**	**30,927**	**34,635**	**59,127**	**7,439**	**160,814**

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

23. 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, Kazakhtelecom 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:

	2010	2009
Present value of defined benefit liability	**32,233**	26,708

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

In millions of Tenge	2010	2009
Total liability at the beginning of the year	**26,708**	24,766
Current service cost	**4,158**	1,545
Past service cost	**2,598**	241
Interest cost	**2,615**	2,048
Benefits paid during the year	**(4,756)**	(2,180)
Unrecorded past service cost	**132**	380
Actuarial loss recognized during the year	**778**	(92)
Total liability at the end of the year	**32,233**	26,708
Liability falling due within one year	**(3,735)**	(1,927)
Liability falling due after one year	**28,498**	24,781

23. EMPLOYEE BENEFIT LIABILITY (continued)

Defined benefit scheme (continued)

Actuarial loss recognised for the years ended 31 December 2010 and 2009 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 10,280 million Tenge were recorded in the consolidated statement of comprehensive income within personnel costs (2009: 4,122 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:

	2010	2009
Discount rate	7.31%	6.98%
The expected rate of future annual material assistance increases	4.25%	4.44%
The expected rate of future annual minimum salary increases	5.21%	5.55%
The expected rate of future annual railway ticket price increases	4.77%	4.50%

The Defined Benefit Schemes are unfunded.

24. AMOUNTS DUE TO CUSTOMERS

In millions of Tenge	2010	2009
Time deposits:	444,233	266,972
Legal entities	75,958	42,598
Individuals	363,692	223,208
Government organizations	4,583	1,166
Current accounts:	164,662	146,687
Legal entities	99,937	24,137
Individuals	56,287	43,889
Government organizations	8,438	78,661
Guarantees and other deposits with restrictive covenants:	11,511	15,426
Legal entities	5,955	10,537
Individuals	5,451	4,852
Government organizations	105	37
Amounts due to customers	620,406	429,085

25. DERIVATIVE FINANCIAL INSTRUMENTS

Options at acquisition of investments

As part of the acquisition of Kazkommertsbank JSC and Halyk Bank Kazakhstan JSC the Fund also entered into call and put option arrangements 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 9*). As at December 31, 2010 the fair value of these options was 69,435 million Tenge (2009: 130,541 million Tenge), and the difference was recorded in the consolidated statement of comprehensive income. The options became exercisable at any time during a period from the first anniversary of the acquisition of the shares of the bank by the Fund, and accordingly, were classified as short-term as of December 31, 2010. Other derivatives represent currency swaps of the Fund's subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following at December 31:

In millions of Tenge	2010	2009
Advances received and deferred income	151,849	114,864
Other taxes payable	105,586	94,654
Securities sold under agreement to repurchase	47,906	13,645
Employee benefit liability	41,367	36,410
Other	60,261	95,212
	406,969	354,785

As at December 31, 2010, 2009 other current liabilities were not interest bearing.

27. REVENUE

Revenue comprised the following for the years ended December 31:

In millions of Tenge	2010	2009
Sales of refined products	1,407,134	1,041,333
Railway cargo transportation	489,574	398,734
Sales of crude oil	461,608	428,020
Interest revenue	296,001	325,999
Oil and gas transportation	243,028	250,000
Sales of uranium products	181,542	114,103
Sales of gas products	157,099	62,899
Telecommunication services	144,353	135,943
Air transportation	98,212	80,860
Electricity complex	85,230	84,629
Railway passenger transportation	50,297	46,647
Electric energy transmission services	44,910	29,497
Postal services	17,263	14,690
Other revenue	197,332	174,751
Less: sales taxes and commercial discounts	(264,368)	(276,272)
	3,609,215	2,911,833

Other revenue

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

28. 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 contingences attached to these grants. The amount of subsidy for the year ended December 31, 2010 was 15,409 million Tenge (2009: 10,058 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, 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, 2010 totaled 5,227 million Tenge (2009: 5,139 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, 2010 was 678 million Tenge (2009: 599 million Tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COST OF SALES

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

In millions of Tenge	2010	2009
Materials and supplies	1,340,201	950,530
Personnel costs	365,425	313,017
Interest expense	228,454	255,629
Depreciation, depletion and amortization	214,446	175,708
Mineral extraction tax	79,335	55,077
Repair and maintenance	74,592	56,158
Production services rendered	61,928	61,403
Rent	15,195	26,701
Impairment of property, plant and equipment and intangible assets	264	-
Other	135,324	105,567
	2,515,164	1,999,790

30. GENERAL AND ADMINISTRATIVE EXPENSES

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

In millions of Tenge	2010	2009
Personnel costs	147,275	122,410
Consulting services	39,934	35,162
Taxes other than income tax	31,276	33,455
Depreciation and amortization	29,629	26,006
Charitable donations	24,627	13,670
Allowance for doubtful debts	14,183	16,393
Fines and penalties	5,258	2,185
Impairment of property, plant and equipment and intangible assets	447	-
Other	79,596	63,087
	372,225	312,368

31. TRANSPORTATION AND SELLING EXPENSES

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

In millions of Tenge	2010	2009
Rent tax	105,597	58,827
Transportation	87,483	67,323
Personnel costs	17,960	15,127
Depreciation and amortization	13,209	10,678
Commission fees to agents and advertising	10,800	7,159
Other	17,969	21,534
	253,018	180,648

Increase in the rent tax on export of crude oil was mainly attributable to the increased crude oil market prices in 2010 compared to prices in 2009. In July 2010, the Government made certain amendments to the customs legislation which resulted in the customs duties paid by the oil production subsidiaries at 20 US Dollars (2,950 Tenge) per ton of crude oil exported.

32. 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 ("KTG-Tbilisi") as a result of transfer of the latter to the special governance of the Georgian National Energy and Water Regulating Committee. Thus, NC KMG lost its right to determine financial and operational activities of KTG-Tbilisi, 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:

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

In millions of Tenge	
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 SECs

During 2009 the Fund lost control over five social-entrepreneurship corporations (*Note 17*).

32. LOSS OF CONTROL OVER SUBSIDIARY (continued)

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 3,075 million Tenge.

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

	December 28, 2009
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
Net assets value	4,266
Non-controlling 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)

33. IMPAIRMENT LOSS

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

In millions of Tenge	2010	2009
Impairment of loans to customers	**12,074**	930,624
Impairment/(Reversal) of amounts due from credit institutions	**14,811**	(7,154)
Impairment of goodwill	**–**	36,743
Impairment of property, plant and equipment and intangible assets	**11,245**	13,526
Impairment of loans granted to banks	**–**	41,234
Impairment of financial assets	**3,056**	12,206
(Reversal)/Impairment of investment in associates	**(1,741)**	1,843
Other	**9,908**	3,738
	49,353	1,032,760

34. OTHER OPERATING INCOME

Other operating loss for the year ended December 31, 2010 includes mainly net income from operations with financial instruments carried at fair value through profit and loss for the the amount of 52,517 million Tenge (2009: 208,609 million Tenge, including change in fair value of options for shares of KKB and Halyk Bank (*Note 25*) totaling to 94,124 million Tenge), and income from the reversal of provision for letters of credit and guarantees in the amount of 61,748 million Tenge (2009: 70,596 million Tenge), and net income from transactions with foreign currencies in the amount of 12,874 million Tenge (2009: 3,676 million Tenge).

35. OTHER OPERATING EXPENSES

As discussed in *Note 5*, fair value of liabilities of BTA Bank and Alliance Bank as of the date of acquisition was identified assuming best estimate of results from the future debt restructuring of the banks. Other operating expenses for 2010 includes the effect of finalization of the debt restructuring totaling 285,339 million Tenge, that represents the difference between actual gains from debt restructuring and its estimation as of the date of acquisition, including effect of finalization of debt restructuring of BTA Bank of 273,826 million Tenge and effect of finalization of debt restructuring of Alliance Bank of 11,513 million Tenge.

The above effect includes fair value of recovery notes of BTA Bank of 116,144 million Tenge that are part of new liabilities after debt restructuring. These securities provide their holders right to receive in cash 50% of actual recovery of impaired assets (loans, tax assets and legal claims). As of the date of acquisition of BTA Bank (February 2, 2009) fair value of those recovery notes could not be estimated, and, accordingly, those notes were recognized at zero value. Difference of 169,195 million Tenge occurred, mainly, due to difference between discount rates applied to estimate fair value of new liabilities as of the date of acquisition of banks and date of actual debt restructuring, and differences between expected and actual distribution of options between creditors.

Actual results of subsidiary banks' debt restructuring are presented below:

BTA Bank

On May 28, 2010 creditors of BTA Bank, holding 92.03% of the total bank's liabilities, approved debt restructuring plan. On September 1, 2010 the bank successfully completed the process of debt restructuring. As a result of debt restructuring, the Bank canceled all previously issued bonds and other liabilities, and has issued new bonds with the fair value of 722,374 million Tenge and paid to creditors 945 million US Dollars in cash, equivalent of 139,010 million Tenge. Net gain on debt restructuring totaled to 853,914 million Tenge.

Also, under the debt restructuring plan, in August 2010 the Fund acquired 44,175,794,956 common shares as a result of converting all of the Bank's previously issued debt securities within the Bank's two bond programs belonging to the Fund. Fair value of converted bonds totalled to 671,472 million Tenge. On August 20, 2010 BTA Bank acquired from the Fund for 1 Tenge 8,179,148,436 of own common shares, which were allocated on August 26, 2010 to creditors on restructuring without repayment. Transaction resulted in the Fund's share on the bank of 81.48%.

Alliance Bank

On December 15, 2009 creditors of the Alliance Bank JSC, holding 95.1% of the total bank's liabilities, approved debt restructuring plan. On March 26, 2010 the Bank successfully completed the process of restructuring its debt. As a result of debt restructuring, the Bank issued to creditors new debt securities with fair value of 170,078 million tenge and preferred shares with fair value of debt component of 20,135 million Tenge. Additionally, the bank paid to creditors 73,558 million Tenge. Net gain on debt restructuring totaled to 324,745 million Tenge.

Also, under the debt restructuring plan, in March 2010 the Fund acquired newly issued 4,000,000 common shares and 1,567,164 preferred shares of Alliance Bank for the total amount of 129 billion Tenge. Shares were acquired for cash consideration of 24 billion Tenge and conversion of Alliance Banks bonds of 105 billion Tenge to equity. In accordance with the debt restructuring plan the Fund allocated to the bank's creditors 33% of the bank's common and preferred shares, that resulted in the Fund's share of 67% in common and preferred shares issued.

Temirbank

In March 2010 creditors of the Temirbank JSC, holding 93.7% of the total bank's liabilities, approved debt restructuring plan. On June 30, 2010 the Bank successfully completed the process of restructuring its debt. As a result of debt restructuring, the bank's Eurobonds included in the liabilities under restructuring were substituted with new Eurobonds with fair value of 98,228 million Tenge and were partially repaid in cash of 22,651 million Tenge. Bank's gain on debt restructuring totaled to 93,768 million Tenge.

Under the debt restructuring plan the Fund acquired 75,933,000 newly issued shares of Temirbank JSC for the total amount of 107,825 thousand Tenge and 15,905,000,000 newly issued ordinary shares of the bank for the total amount of 23,380 million Tenge. External creditors were granted with 19.57% of newly issued shares of Temirbank, that resulted in Fund's share of 79.88%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36. FINANCE COST

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

In millions of Tenge	2010	2009
Interest on loans and debt securities issued	146,652	144,258
Unwinding of discount on provisions	7,474	3,325
Interest on finance lease obligations	3,105	2,799
Other	10,759	19,286
	167,990	169,668

37. FINANCE INCOME

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

In millions of Tenge	2010	2009
Interest income on amounts due from credit institutions and cash and cash equivalents	63,808	86,732
Income from financial assets	2,117	2,462
Other	9,681	4,742
	75,606	93,936

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:

In millions of Tenge	2010	2009
TengizChevroil LLP	192,855	111,025
KazRosGas JSC	46,372	44,476
GSM Kazakhstan LLP	26,039	21,167
PetroKazakhstan Inc.	24,367	9,221
Mangistau Investments B.V.	23,735	4,568
KazGerMunay LLP	23,523	1,554
JV Katco	16,802	9,115
Kazakhoil-Aktobe LLP	8,015	2,454
Halyk Bank JSC	2,265	17,830
Kazkommertsbank JSC	1,602	46,538
Other	57,584	11,627
	423,159	279,575

39. INCOME TAX EXPENSES

As at December 31, 2009 income tax prepayment in the amount of 46,509 million Tenge represents corporate income tax prepayment (2009: 39,743 million Tenge).

Income taxes payable as at December 31 comprised:

In millions of Tenge	2010	2009
Excess profit tax	–	19,246
Corporate income tax	4,460	13,877
Income tax payable	4,460	33,123

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

39. INCOME TAX EXPENSES (continued)

In millions of Tenge	2010	2009
Current income tax expenses:		
Corporate income tax	130,600	117,755
Withholding tax on dividends and interest income	51,011	27,445
Excess profit tax	12,119	30,914
Deferred income tax (benefit) / expenses:		
Corporate income tax	(166,173)	57,392
Withholding tax on dividends and interest income	1,137	31,630
Excess profit tax	49	(106)
Income tax expenses	28,743	265,030

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 2007-2010 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, a Kazakhstan tax payer) net of withholding tax since there is uncertainty whether the withholding tax exemption is applicable for the stable tax regime of Tengizchevroil LLP. The Group was challenging withholding of the tax on those dividends, but as of December 31, 2009 has not managed to convince Tengizchevroil LLP and the tax authorities that withholding tax should not be applied. Therefore, in 2009 and 2010, 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.

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. In November 2010, the Government approved amendments to the tax code effective January 1, 2011, in accordance with such changes the statutory income tax rates are changed to 20% for future periods. The Group's calculations of deferred tax and income tax expense as of December 31, 2010 and 2009 for the years then ended reflect these changes in the tax code.

As of December 31, 2010 and 2009, in the Republic of Kazakhstan income tax loss carry forward is allowed for the ten years period from the origin date of the loss.

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20% in 2010 and 2009) to income tax expense was as follows for the years ended December 31:

In millions of Tenge	2010	2009
Accounting profit / (loss) before income tax from continued operations	662,451	(356,347)
Accounting profit before income tax from discontinued operations	844	–
Income tax expenses / (benefit) on accounting profit	132,659	(71,269)
Tax effect of items, which are not deductible or assessable for taxation purposes	42,985	203,184
Excess profit tax	12,119	30,808
Effect of change in income tax rates	10,715	(14,588)
Withholding tax on dividends	7,082	59,075
Effect of different corporate income tax rates	5,707	(3,741)
Losses from impairment of non-current assets	2,039	9,115
Acquisition of financial instruments	–	(94,562)
Share of nontaxable profit of subsidiaries and associates	(14,989)	(11,859)
Income tax, accounted at different rate	(41,402)	(34,348)
Change in unrecognized deferred tax assets	(128,172)	193,215
Corporate income tax expense reported in the consolidated statement of comprehensive income	28,743	265,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. 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:

	2010				2009			
In millions of Tenge	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total
Deferred tax assets								
Property, plant and equipment	4,607	–	–	4,607	4,677	–	–	4,677
Tax loss carryforward	357,561	–	–	357,561	428,157	–	–	428,157
Employee related accruals	7,338	635	–	7,973	4,337	229	–	4,566
Impairment of financial assets	(9,211)	–	–	(9,211)	22,656	–	–	22,656
Environmental liability	–	–	–	–	2,307	–	–	2,307
Other accruals	98,493	2,421	–	100,914	2,071	–	–	2,071
Other	27,965	368	–	28,333	52,613	2,673	–	55,286
Less: unrecognized deferred tax assets	(255,096)	–	–	(255,096)	(450,433)	–	–	(450,433)
Less: deferred tax assets offset with deferred tax liabilities	(38,596)	(1,772)	–	(40,368)	(24,079)	(1,072)	–	(25,151)
Deferred tax assets	193,061	1,652	–	194,713	42,306	1,830	–	44,136
Deferred tax liabilities								
Property, plant and equipment	244,778	3,367	–	248,145	188,359	2,787	–	191,146
Undistributed earnings of subsidiaries	–	–	35,079	35,079	2,390	–	34,164	36,554
Other	14,556	–	–	14,556	70,339	8	–	70,347
Less: deferred tax assets offset with deferred tax liabilities	(38,596)	(1,772)	–	(40,368)	(24,079)	(1,072)	–	(25,151)
Deferred tax liabilities	220,738	1,595	35,079	257,412	237,009	1,723	34,164	272,896
Net deferred tax liabilities	(27,677)	57	(35,079)	(62,699)	(194,703)	107	(34,164)	(228,760)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. INCOME TAX EXPENSES (continued)

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

	2010				2009			
In millions of Tenge	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total
Balance at 1 January	194,703	(107)	34,164	228,760	111,435	–	2,106	113,541
Reporting currency translation	(1,595)	–	(222)	(1,817)	10,947	–	428	11,375
Charged to equity	136	–	–	136	10,937	–	–	10,937
Acquisitions of subsidiaries *(Note 5)*	739	–	–	739	14,553	–	–	14,553
Charged to income statement	(166,306)	50	1,137	(165,119)	46,831	(107)	31,630	78,354
Balance at 31 December	27,677	(57)	35,079	62,699	194,703	(107)	34,164	228,760

40. CONSOLIDATION

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

	Ownership percentage	
	2010	2009
National Company KazMunayGas JSC and subsidiaries	**100.00%**	100.00%
National Company Kazakhstan Temir Zholy JSC and subsidiaries	**100.00%**	100.00%
National Atomic Company Kazatomprom JSC and subsidiaries	**100.00%**	100.00%
Kazakhtelecom JSC and subsidiaries	**51%**	51%
Samruk-Energy JSC and subsidiaries	**94.01%**	94.01%
Kazakhstan Electricity Grid Operating Company JSC and subsidiaries	**100.00%**	100.00%
Air Astana JSC	**51.00%**	51.00%
BTA Bank JSC and subsidiaries	**81.48%**	75.10%
Alliance Bank JSC and subsidiaries	**67.00%**	100.00%
Development Bank of Kazakhstan JSC and subsidiaries	**100.00%**	100.00%
Entrepreneurship development Fund "Damu" JSC	**100.00%**	100.00%
Kazyna Capital Management JSC and subsidiaries	**100.00%**	100.00%
House Construction Saving Bank of Kazakhstan JSC	**100.00%**	100.00%
Kazpost JSC	**100.00%**	100.00%
Doszhan Temir Zholy JSC	**94.95%**	85.97%
Kamkor LLP and subsidiaries	**100.00%**	100.00%
Investment Fund of Kazakhstan JSC	**100.00%**	100.00%
National Innovation Fund JSC and subsidiaries	**0,00%**	100.00%
National Company Kazakhstan Engineering JSC and subsidiaries	**61.00%**	100.00%
Real estate fund Samruk-Kazyna JSC	**100.00%**	100.00%
State Corporation for Insurance of Export Credit and Investments JSC	**100.00%**	100.00%
Kazakhstan Fund of Guarantee of mortgage loan JSC	**100.00%**	100.00%
International Airport Aktobe JSC	**100.00%**	100.00%
Samruk-Kazyna Contract LLP	**100.00%**	100.00%
SK Pharmacy LLP	**100.00%**	100.00%
National mining company Tau-Ken Samruk and subsidiaries	**100.00%**	100.00%
Kazakh Research power engineering Institute named after Chokin JSC	**50%+1**	50%+1
United Chemical Company LLP and Subsidiaries	**100.00%**	100.00%
Samruk-Kazyna Invest LLP	**100.00%**	100.00%
KOREM JSC	**100.00%**	100.00%
International airport Atyrau JSC	**100.00%**	100.00%
Airport Pavlodar JSC	**100.00%**	100.00%
Kazakhstan Center of Investment Assistance "KazInvest" LLP	**100.00%**	100.00%
Karagandagiproshaht and K LLP	**90.00%**	0.00%
Temirbank JSC**	**79.90%**	0.00%
KGF SLP	**100.00%**	100.00%
KGF IM	**100.00%**	100.00%
KGF Management	**100.00%**	100.00%
National Company Social-Entrepreneurship Corporation "Batys" JSC*	**0.00%**	100.00%
National Company Social-Entrepreneurship Corporation "Sary-arka" JSC*	**0.00%**	79.11%

* *As at 31 December 2010 these subsidiaries were classified as assets, classified as held for sale and distribution to the Shareholder (Note 6).*

** *During 2010 the Fund acquired shares of Temirbank JSC from its subsidiary, BTA bank.*

41. SIGNIFICANT NON-CASH TRANSACTIONS

During 2010 the Group lost its significant influence in Kazkommertsbank JSC and Halyk Bank of Kazakhstan JSC and recognized the investments in these banks as financial assets available for sale (*Note 9*). This transaction has been excluded from the consolidated statement of cash flows.

During 2010 the Group transferred to the Shareholder shares of Social-Entrepreneurship Corporations and "National Innovation Fund" JSC in exchange for the State's 42% interest in "Pavlodar Petrochemical Plant" JSC, 1.67% interest in "Kazakh British Technical University" ("KBTU"), 90% interest in "Karagandagiproshakht" JSC and other real estate and property (*Note 17.4*). This transaction has been excluded from the consolidated statement of cash flows.

As of December 31, 2010 the payables for purchases of property, plant and equipment increased by 34,681 million Tenge (2009: 3,152 million Tenge). This transaction has been excluded from the consolidated statement of cash flows.

In 2010, the Group received purchases of property, plant and equipment with a value of 4,190 million Tenge (2009: 9,821 million Tenge) under finance lease agreements. This transaction has been excluded from the consolidated statement of cash flows.

During 2010 the Group received pledged collateral as a repayment of loans provided to customers. Fair value of those collateral amounted to 41,403 million Tenge.

During 2010 the Fund has completed acquisition of 50% stake in Ekibastuzskaya GRES-1 LLP (*Note 9*).

In 2010 the Fund has placed coupon bonds, acquired by the National Bank of the Republic of Kazakhstan and received 2 loans from the Ministry of Industry and New Technologies of the Republic of Kazakhstan for the total amount of 220,000 million Tenge and 18,803 million Tenge, respectively. The difference between nominal value of bonds and loans and their fair value in the amount of 111,144 million Tenge was recognized in the consolidated statement of changes in equity (*Note 19*).

In 2010, the Group capitalised borrowing costs of 571 million Tenge (2009: 3,213 million Tenge). This transaction has been excluded from the consolidated statement of cash flows.

42. 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:

42. RELATED PARTY DISCLOSURES (continued)

In millions of Tenge		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities	Other related parties
Due from related parties	**2010**	**17,776**	**4,203**	**9,490**	**5,023**
	2009	9,531	33,354	2,452	8,028
Due to related parties	**2010**	**17,990**	**57,523**	**20,868**	**822**
	2009	8,938	44,516	15,991	3
Sale of goods and services	**2010**	**34,913**	**73,851**	**1,349**	**8,755**
	2009	36,583	39,467	1,140	660
Purchase of goods and services	**2010**	**56,319**	**76,863**	**11,311**	**732**
	2009	13,752	89,676	15,070	6,470
Current accounts and deposits (liability)	**2010**	**–**	**–**	**16,400**	**2,113**
	2009	–	–	–	329
Current accounts and deposits (asset)	**2010**	**3,930**	**–**	**512,421**	**579,431**
	2009	986,701	–	549,576	–
Loans given	**2010**	**9,765**	**512**	**778**	**51,788**
	2009	5,383	–	3,434	111
Loans received (*Note 19*)	**2010**	**1,882**	**–**	**842,091**	**52,015**
	2009	20,940	–	243,389	–
Financial assets	**2010**	**–**	**–**	**112,228**	**23,391**
	2009	58	–	52,069	3,641
Financial liabilities	**2010**	**–**	**–**	**–**	**–**
	2009	234	–	–	–
Interest received	**2010**	**6,218**	**377**	**3,674**	**23,270**
	2009	67,829	–	3,058	2
Interest accrued	**2010**	**1**	**–**	**2,801**	**992**
	2009	676	–	11,346	31

As of December 31, 2010 there were current bank accounts and deposits in the amount of 561,921 million Tenge with Halyk Bank of Kazakhstan JSC, which is considered to be related party of the Group (2009: 535,498 million Tenge).

As of December 31, 2010 loans received from and given to other related parties comprised a payable to and receivable from Halyk Bank of Kazakhstan JSC in the amount of 40,464 million Tenge (2009: 10,352 million Tenge) and 21,000 million Tenge (2009:nil), respectively.

The total amount of dividends from preferred shares received from Halyk Bank of Kazakhstan JSC in 2010 is 2,261 million Tenge (2009: nil).

As of December 31, 2010 some of the Group's borrowings of 39,451 million Tenge, were guaranteed by the Government of the Republic of Kazakhstan (2009: 37,430 million Tenge).

Total compensation to key management personnel included in personnel costs in the accompanying consolidated statement of comprehensive income was 6,705 million Tenge for the year ended 31 December 2010 (2009: 5,661 million Tenge). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

42. RELATED PARTY DISCLOSURES (continued)

As noted above in *Note 28*, the Government provides certain subsidies to the Group's subsidiaries.

During 2010 the Fund received from the Government loans, bearing lower-than-market interest rates. Loans discount at initial recognition in the amount of 111,152 million Tenge was recognized in the consolidated statement of changes in equity (2009: 461,255 million Tenge) (*Notes 17 and 19*).

43. 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 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.

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 18*).

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).

In millions of Tenge	Increase / (decrease) in basis points*	Effect on profit /loss	Other effect on equity
2010			
US Dollar	+100 / -25	(9,633) / 2,408	(13) / 3
Tenge	+100 / -25	1,077 / (269)	(4,113) / 598
2009			
US Dollar	+100 / -25	1,560 / (367)	(1,527) / 475
Tenge	+100 / -25	4,722 / (1,180)	(550) / 137

* 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 and Euro, with all the variables held constant, of the Group's profit before income tax.

In millions of Tenge	Increase /(decrease) in exchange rate	Effect on profit /loss
2010		
US Dollar	+11.56% / (11.56%)	(149,652) / 149,652
Euro	+16.65% / (16.65%)	(9,319) / 9,319
2009		
US Dollar	+10% / (15%)	(207,041) / 310,550
Euro	+10% / (15%)	(27,186) / 42,422

43. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 15)*, other financial assets *(Note 12)*, and VAT recoverable, 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.

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.

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.

In millions of Tenge	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2010						
Loans from the Government	471,253	520	2,684	15,818	982,526	1,472,801
Borrowings	254,664	330,930	616,182	2,678,631	2,078,547	5,958,954
Finance lease liabilities	26	2,569	8,470	15,041	3,579	29,685
Due to customers	185,708	47,059	195,171	403,884	206,594	1,038,416
Trade accounts payable	161,305	118,985	126,312	310	263	407,175
Derivatives	332	764	18	41,646	-	42,760
Income tax payable	861	238	3,213	-	-	4,312
Other current liabilities	91,094	17,590	81,042	364,810	47,670	602,206
	1,165,243	518,655	1,033,092	3,520,140	3,319,179	9,556,309
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 current 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

43. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Group manages its capital primarily though 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 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	2010	2009
ND/NC	**0.48**	**0.48**
ND/EBITDA	**3.95**	**3.72**
ND/E	**0.95**	**0.93**

In billions of Tenge	2010	2009
Borrowings	4,082	3,329
Loans from the Government	879	877
Payable for the acquisition interest in project	315	312
Finance lease liabilities	24	32
Due to customers	620	429
Derivatives	78	144
Others	62	39
Less: Cash and cash equivalents	(1,639)	(1,311)
Net debt	**4,421**	**3,851**
Borrowings	4,082	3,329
Loans from the Government	879	877
Payable for the acquisition interest in project	315	312
Finance lease liabilities	24	32
Due to customers	620	429
Derivatives	78	144
Others	62	39
Equity attributable to shareholder of the Group	4,653	4,141
Less: Cash and cash equivalents	(1,639)	(1,311)
Net capitalization	**9,074**	**7,992**
Profit before income tax	662	(356)
Interest on loans and debt securities issued	147	144
Interest on finance lease obligations	3	3
Depreciation, depletion and amortization	257	212
Impairment loss	49	1,033
EBITDA	**1,118**	**1,036**
Total equity	5,422	4,745
Less: Minority interests	(769)	(604)
Equity attributable to the shareholder of the Group	**4,653**	**4,141**

43. 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:

In millions of Tenge	Level 1	Level 2	Level 3	December 31, 2010
Financial instruments category				
Available-for-sale financial assets	514,087	111,042	19	**625,148**
Financial assets at fair value through profit / loss	1,188	10,930	11,662	**23,780**
Trading securities	105,120	16,083	–	**121,203**
Derivative financial assets	–	5,505	–	**5,505**
Derivative financial liabilities	–	78,017	–	**78,017**

In millions of Tenge	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**

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2010 is presented as follows:

In millions of Tenge	Available -for-sale financial assets	Financial assets at fair value through profit /loss	Trading securities	Derivative Financial Assets	Total financial assets
As at January 1, 2009	13,373	4,411	5,832	–	23,616
Total profit /(loss) recognized in profit /losses	–	(1,248)	–	–	(1,248)
Acquisition	–	7,006	–	–	7,006
Sale	–	(5,970)	–	–	(5,970)
Repayment	(62)	–	–	–	(62)
Transfer from Level 1 and Level 2	19	1,349	–	–	1,368
Reclassifications to other assets	(298)	–	–	–	(298)
Others	(13,013)	6,114	(5,832)	–	(12,731)
As at December 31, 2010	**19**	**11,662**	**–**	**–**	**11,681**

In millions of Tenge	2010
Transfers from, Level 1 to Level 2	
Trading securities	507
Total	**507**

43. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

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:

In millions of Tenge	Carrying value		Fair value	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Financial assets				
Loans to customers	**1,776,993**	1,500,814	**1,799,697**	1,490,474
Amounts due from credit institutions	**1,343,651**	1,457,457	**1,343,651**	1,457,457
Financial assets	**963,859**	416,437	**963,975**	416,437
Trade accounts receivable	**251,606**	201,712	**251,606**	201,712
Cash and cash equivalents	**1,639,460**	1,311,132	**1,639,460**	1,311,132
Financial liabilities				
Borrowings	**4,082,126**	3,328,562	**4,049,264**	2,876,607
Loans from the Government of the Republic of Kazakhstan	**878,957**	876,812	**929,163**	955,785
Finance lease liabilities	**24,196**	31,974	**24,196**	31,974
Amounts due to the customers	**620,406**	429,085	**620,406**	429,085
Trade accounts payable	**401,123**	248,103	**401,123**	248,103
Other non-current liabilities	**432,261**	396,240	**432,261**	396,240

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

44. COMMITMENTS AND CONTINGENCIES

Legal proceedings

BTA Bank

BTA Bank is in the process of a legal dispute with CJSC Investment Holding Company ("IHC"), a Kyrgyzstan registered entity.

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 2,023,143. 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.

In December 2009, an officer of the court foreclosed on shares held by BTA BTA. 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.

44. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

BTA Bank (continued)

On November 5, 2009 BTA Bank has filed a claim with the Kyrgyzstan government for compensation amounted to GBP 30,418,143 and 38,891,000 US Dollars of damages incurred as a result of illegal acts of Kyrgyz legal and government entities.

Subsequently, a number of claims were filed to the Provisional Government of the Kyrgyz Republic regarding compensation of damage done.

Currently the National Security Service of Kyrgyz Republic transfers to the court a criminal case on illegal carve-out of shares of CJSC BTA Bank (Kyrgyzstan) that belong to the Bank.

Also, the Bank engaged a legal company - advisor to support arbitration proceedings initiated against the Government of the Kyrgyz Republic regarding compensation of damage done.

As of the date of these consolidated financial statements the management of the BTA Bank could not make a reasonable estimate of possible outcome of this litigation or amount of potential recovery.

Rompetrol Rafinare S.A. (subsidiary of NC KMG)

In 2010, various legal actions have been initiation by the Romanian state represented by the Ministry of Public Finance and ANAF against or in connection with the convertible debt instrument settlement by Rompetrol Rafinare S.A. in 2010. As discussed in *Note 17.5*, management believes the legal actions against the Group have no legal grounds and the Group will succeed.

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 22*) 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.

Mangystaumunaygas ("MMG", subsidiary of NC KMG)

Pursuant to the subsoil use contract, MMG 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. MMG's environmental remediation provision represents management's best estimate based on an assessment of the anticipated expenditure necessary for MMG to remain in compliance with the subsoil use contract.

MMG may also be subject to loss contingencies relating to other regional environmental claims that may arise from the past operations of the related fields in which it operates. As Kazakh laws and regulations evolve concerning environmental assessments and site restoration, MMG may incur future costs, the amount of which is currently indeterminable due to such factors as the ultimate determination of responsible parties associated with these costs and the Government's assessment of respective parties' ability to pay for the costs related to environmental reclamation. However, depending on any unfavourable claims or penalties assessed by the Kazakh regulatory agencies, it is possible that MMG's future results of operations or cash flow could be materially affected in a particular period.

In June 2010, the environmental authorities of the Mangistau region presented a notice to MMG in respect of a breach of environmental legislation related to soil contamination as a result of oil waste disposal of 461,796 tons. The estimated clean-up cost is approximately 5 billion Tenge should the environmental authorities prevail. In case if authorities apply fines and penalties, the potential liability might be as high as ten times of the clean-up costs. Furthermore, if the environmental authorities succeed, additional taxes may be assessed in accordance with the provisions of the Kazakhstan's tax legislation Management believes that such contamination resulted from oil extraction prior to the date of the subsoil use contract, that MMG is not responsible for, and that it is not probable that the authorities will succeed. Accordingly, no further provision for this risk has been made in these consolidated financial statements.

44. COMMITMENTS AND CONTINGENCIES (continued)

Environment liabilities (continued)

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 35,000 million Tenge. 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 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, 2010.

As at December 31, 2010 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 in these consolidated financial statements (*Notes 4 and 22*).

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.

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, 2010 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 commitments of Georgian entities

According to the Tax Code of Georgia ("TCG"), tax administration is authorized to make decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not developed and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

The Georgian subsidiaries of NC KMG have significant transactions with off-shore subsidiaries of NC KMG as well as amongst each other. These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia.

44. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

Tax commitments of Georgian entities (continued)

Management of the Group believes that it has sufficient evidence to support that pricing of transactions between entities of NC KMG is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the NC KMG.

Customs claim Exploration Production KazMunayGas JSC ("E&P KMG", subsidiary organization of NC KMG)

On August 18, 2009 the customs committee of the Republic of Kazakhstan presented a claim to E&P 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 E&P KMG filed an appeal with the court of first instance. On December 1, 2009 the court of first instance ruled in favor of E&P 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 E&P KMG filed the further appeal with the third instance court. On March 9, 2010 the third instance court also ruled in favor of the customs authorities. E&P KMG is planning to appeal this matter to the Supreme Court of Kazakhstan.

Management of the Group believes that they will ultimately prevail in this matter and therefore no amounts have been accrued in the consolidated financial statements for the year ended December 31, 2010.

Customs audits KMG Kashagan B.V. ("Kashagan", subsidiary organization of NC KMG)

The Atyrau Regional Customs Control Department on January 25, 2010 completed its customs audit issued a notice to the previous operator for allegedly unpaid import VAT and customs duties in an approximate total of 74 million US Dollars to 78 million US Dollars (10,915 million Tenge to 11,505 million Tenge). This amount includes import VAT, customs duties and interests on late payment but does not include any potential fines that may be placed on such amounts. The previous operator appealed this assessment in the Customs Committee of Republic of Kazakhstan (the "Customs Committee"). The Customs Committee cancelled the previous decision and issued an order # 18 dated April 23, 2010 to the previous operator to pay 3,300 thousand US Dollars (487 million Tenge) of customs duties and 403 thousand US Dollars (59 million Tenge) of fines and penalties. The previous operator appealed these decisions in the economic and administrative courts. The decision of special economic court dated 12 November 2010 cancelled the order for amount of 403 thousand US Dollars of fines and penalties. In accordance with the new order of the court, the previous operator is obliged to pay 18 thousand US Dollars (3 million Tenge) for VAT on import, customs duties and fines.

Tax audit KazMunayGas Refinary and Marketing ("KMG RM", subsidiary organization of NC KMG)

In 2008, the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan completed a tax audit of KMG RM on corporate income tax for the period 2003-2005 years and assessed additional CIT of 42,146 million Tenge and a corresponding penalty for late payment of 42,427 million Tenge. In addition, 21,073 million Tenge of administrative fines might also be assessed. Additional CIT was assessed based on article 130 of the tax code of the Republic of Kazakhstan dated June 12, 2001 by adding total revenue earned by the subsidiaries registered in tax heavens to the taxable income of KMG RM without taking into account expenses of such subsidiaries.

In 2009, KMG RM has appealed the results of the tax audit to the higher tax authorities, which resulted in an additional tax inspection. On December 9, 2010 the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan issued the tax audit act on the results of additional tax inspection which confirmed the results of the first tax audit and assessment of additional CIT of 42,146 million Tenge and a corresponding penalty for late payment of 42,427 million Tenge. In December 2010, NC KMG received the official response from the General Prosecutors office that supports NC KMG's interpretation of 130 article of the tax code effective in 2003. In January 2011, KMG RM filed a claim against the Tax Committee in Astana specialized court, which ruled in favor of the tax authorities on March 14, 2011. KMG RM intends to appeal the ruling at a higher court, including the Supreme Court, if necessary. Management believes that the tax liability and late payment interest were assessed as a result of an incorrect interpretation of laws in force and it is not probable that the outflow of resources will be required to settle the obligation and therefore no tax provision has been made in these consolidated financial statements

44. COMMITMENTS AND CONTINGENCIES (continued)

Taxation (continued)

Tax obligations of Kazakhstan Temir Zholy JSC ("KTZh")

During 2007 and 2008, the tax authorities conducted tax audits of the KTZh for the years ended between 2003 and 2006. As a result of these audits the tax authorities have assessed additional taxes, including fines and penalties of 14,270 million tenge. KTZh challenged the assessment as it believed the claim was groundless, and intended to appeal the results in a court. As at December 31, 2009 KTZh established a tax liability of 3,929 million tenge, which represented the amount KTZh believed was probable to settle this liability. This liability is recorded within taxes payable, as detailed in *Note 21*. On October 27, 2010 the Supreme Court delivered a final decision on this case in the benefit of KTZh of 13,201 million tenge including charges for fines and penalties of 2,491 million tenge. As a result as at December 31, 2010 KTZh reversed the previously created tax provisions of 2,967 million tenge.

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

E&P KMG's oil and gas fields are located on land belonging to the Mangistau and Atyrau regional administrations. Licenses are issued by the Ministry of Energy and Mineral Resources of Kazakhstan and E&P KMG pays royalties and excess profits tax to explore and produce oil and gas from these fields.

The principle licenses of E&P KMG and their expiry dates are:

Field	Contract	Expiry date
Uzen (8 fields)	No. 40	2021
Emba (1 field)	No. 37	2021
Emba (1 field)	No. 61	2016
Emba (23 fields)	No. 211	2018
Emba (15 fields)	No. 413	2020

Year	Capital expenditures	Operational expenditures
2011	98,326	5,539
2012	7,260	4,241
2013	–	4,007
2014	–	4,007
2015-2021	–	18,824
Total	**105,586**	**36,618**

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

According to the terms of exploration contracts signed with the Government, KMT has certain commitments on fulfilment of minimal work programs under related oil and gas projects. As of December 31, 2010, KMT had commitments under 2011 annual approved budget amounting to 102,968 thousand US Dollars equivalent to 15,177 million Tenge (2009: 79,720 thousandUS Dollars equivalent to 11,827 million Tenge).

44. COMMITMENTS AND CONTINGENCIES (continued)

Commitments under oilfield licenses and contracts (continued)

JV Kazgermunai LLP (JV Kazgermunai, joint venture of NC KMG)

The Group's share in the commitments of JV Kazgermunai is as follows as at December 31, 2010:

Year	Capital expenditures	Operational expenditures
2011	4,576	2,546

MMG

MMG's oil and gas fields are located on land belonging to the Mangistau district administration. The principle licenses of MMG and their expiry dates are:

Field	License	Expiry date
Kalamkas oil field	No. 935-D	2028
Zhetybai oil field	No. 929-D	2028
Other (10 oil fields)	No. 926, 30,32-34, 36-39,46-D	2028
Other (3 oil fields)	No. 927-8,31-D	2022

In accordance with the subsoil use contract MMG has to perform annual minimal work program. This minimal work program is subject to consent of the governmental agency ZAPKAZNEDRA. In accordance with this minimal work program for the year ended December 31, 2010 the Group has commitments in respect of capital and operational expenditures of 1,724 million US Dollars (254,290 million Tenge), which includes obligations to drill 62 wells and to produce 5,500 thousand tons of crude oil and 516 million cubic meters of natural gas. As of December 31, 2010 the Group has incurred 2,203 million US Dollars (324,943 million Tenge) in respect to capital and operational expenditures, drilled 41 wells and produced 5,720 thousand tons of crude oil and 453 million cubic meters of natural gas. Management believes that as of December 31, 2010 the Group has substantially fulfilled the requirements of the minimal work program, and deviations, if any, will be resolved through negotiations with the agency without any material effect on the Group's consolidated financial statements.

Contractual obligation of NC KMG on on exploration of hydrocarbons

According to the terms of exploration contracts signed by NC KMG with the Government, the Company has certain commitments on fulfilment of minimal work programs under related oil and gas projects. As of December 31, 2010, NC KMG did not have any commitments under minimal work programs for the total amount of 1,879 million Tenge (2009: 1,879 million Tenge).

Local market obligations

The Kazakhstan Government requires oil producers and oil trading companies to supply a portion of the their crude oil and oil products to meet domestic energy requirement 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

In 2010, in accordance with their obligations, E&P KMG and JV Kazgermunai delivered 1,811,481 and 784,000 tons of oil respectively (2009: 2,017,488 and 615,000 tons respectively) on the domestic market.

In 2010, MMG delivered 563,669 tons of crude oil on the domestic market. In accordance with the budget, the total supply of crude oil to domestic market is around 900,000 tons for 2011.

44. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

As of December 31, 2010 the capital commitments of the Group under the contracts on acquisition of plant, property and equipment amounted to 80,744 million Tenge (2009: 87,806 million Tenge). In addition, as at December 31, 2010, the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 5,226 million Tenge (2009: 21,805 million Tenge).

KMG RM

As of December 31, 2010 the KMG RM's capital commitments were 146,102 million Tenge (2009: 188,642 million Tenge). Mainly, these contracts relates to the construction of aromatic hydrocarbons plant and the projects related to capacity increase and compliance of refinery with Euro standards.

Kashagan

At December 31, 2010 Kashagan has capital commitments for 2011 to purchase, construct or develop undivided interest in exploration and appraisal assets and development oil and gas assets of 1,295,711 thousand US Dollars equivalent to 190,981 million Tenge (2009: 1,756,302 thousand US Dollars, equivalent to 260,565 million Tenge). Kashagan has also capital commitments for the period from 2011 till 2015 in the amount of 2,601,049 thousand US Dollars, equivalent to 383,395 million Tenge.

KazTransGas JSC ("KTG" subsidiary of NC KMG)

Under the terms of the concession agreement, KTG has an obligation to invest 30 million US Dollars each year equivalent to 4,422 million Tenge 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 concession agreement, KTG will be reimbursed for the net book value of the above investments at the time the concession agreement expires. As of December 31, 2010 KTG had approximately 47,371 million Tenge in contractual commitments related to this investment obligation (2009: 5,282 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 concession agreement. If gas tariffs and cash payment defaults by customers make it impractical to carry out improvement and investment, KTG is entitled to apply to the Government for an adjustment of the domestic tariff or an adjustment to the level of its investment obligations. As of December 31, 2010 KTG complied with these conditions.

Kyrgyz By-Pass (KTG)

KTG is obliged, subject to certain conditions, which include tariff recovery, to design and construct the Kyrgyz By-Pass at a cost, which was estimated in the concession agreement, of approximately 90 million US Dollars to 100 million US Dollars (13,275 – 14,750 million Tenge). This asset will be transferred to the Republic of Kazakhstan at the later of the end of the term of the concession agreement or after twenty years from the completion for 1 US Dollar (147.5 Tenge). Construction of this bypass has not yet begun.

Management believes that they have taken all necessary steps to fulfil KTG'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 concession agreement, are a precondition for the commencement of construction of the Kyrgyz By-Pass, have not been published as of December 31, 2010.

The Government reviews KTG's compliance with its obligations under the concession agreement, including the fulfilment of the investment commitments. The review of KTG's compliance with its obligations under the Agreement for 2010 will be performed in 2011. Management believes that as of December 31, 2010 KTG is in compliance with investment requirements.

Prior to December 31, 2005, KTG paid to the Government 10% of its net profits under the Agreement. On March 31, 2006 the Republic of Kazakhstan, as represented by the Ministry of Finance and KTG Group signed the contract for amendments to the concession agreement. According to these 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, KTG shall pay 2,083 million Tenge per annum.

44. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments (continued)

KTZh

As at December 31, 2010, the Group had committed to contracts for the construction of "Uzen – state border with Turkmenistan" and "Khorgos – Zhetigen", medical center in Astana, primary backbone transport communication net, plant for production of passenger wagons in Astana, activities related to expansion of "Dostyk" station, and the purchase of shunting locomotives and cargo wagons totalling 182,808 million tenge (2009: 99,912 million tenge).

Real Estate Fund "Samruk-Kazyna"JSC ("Real estate Fund")

As at December 31, 2010 the Fund had contractual commitments amounting to 31,910 million Tenge under agreements with construction companies (2009: 38,426 million Tenge).

Kazyna Capital Management JSC

As at 31 December 2010 total investment commitments to investment funds amounted to 63,417 million Tenge (2009: 41,637 million Tenge). Financing under these commitments are to be made upon demand of investment funds over a investment period of between three and five years.

Royalty

From July 17, 1997, KTG 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 concession agreement, this payment is only due and payable for the Western System after the issue of the Government Resolution or order of the Ministry of Finance advising the customers of the Western System of their obligation to pay the royalty to KTG. As of December 31, 2010, no such decree had been issued. Due to the uncertainty surrounding the implementation of the royalty, KTG has to date not been charging royalty to its customers.

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 locks 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. In July 2010, the Ministry of Transport and Communications of the Republic Kazakhstan applied to the Government with the initiative to transfer these assets to the share capital of the Shareholder for the purpose of subsequent transfer to the Company's share capital. As at the date of approval of the accompanying consolidated financial statements, approval of this transaction was granted by the Ministry of Finance of the Republic Kazakhstan, by the Shareholder and the Ministry of Justice of the Republic Kazakhstan.

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.

44. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments (continued)

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

In millions of Tenge	2010	2009
Within one year	18,865	22,770
From 1 to 5 years	37,192	48,961
Over 5 years	8,187	2,878
Total	**64,244**	74,609

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 KMG RM

KMG RM has several borrowings from the banks, including 2.5 billion US Dollars equivalent to 368.5 billion Tenge from a syndicate of eight banks, a short-term bank loan from Deutsche Bank and a credit line agreement with DBK. The provisions of the borrowings require KMG RM to comply with certain covenants. As at December 31, 2010 KMG RM fully complied with the covenants.

Covenants of KazTransOil JSC ("KTG", subsidiary of NC KMG)

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;

As of December 31, 2010 and 2009, KTO fully complied with these covenants.

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.

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.

44. COMMITMENTS AND CONTINGENCIES (continued)

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.

In millions of Tenge	2010	2009
Contracted amount		
Loan, credit line and finance lease commitments	359,192	635,988
Guarantees	97,700	146,565
Letters of credit and other commitments related to settlement operations	112,781	47,597
Less: Guarantees and deposits with restrictive covenants	(7,111)	(12,191)
Less: Provision for bank letters of credit and guarantees *(Note 22)*	(223)	59,127
Less: Impairment in form of cash	(784)	–

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

Certain subsidiaries of the Group provide 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.

General Prosecutor Office of the Republic of Kazakhstan criminal investigation (Kashagan)

On the 9 November 2007, the General Prosecutor Office of the Republic of Kazakhstan ("GPO") notified the previous operator of an ongoing criminal investigation in relation to the award of contracts in respect of the Main Onshore Constructions: contract # 2004-0504 to North Caspian Constructors N.V. ("NCC") and contract # 2005-0584 to Overseas International Constructors GMbH ("OIC"). The criminal investigation was initiated by the GPO to ascertain whether the previous operator staff unreasonably overestimated the cost of construction and installation works for the Oil and Gas Onshore Processing Facility by 336 million US Dollars equivalent to 49,526 million Tenge and misused its powers to enter into a fictitious contract with OIC to facilitate the embezzlement of the Contractor's assets. In particular the GPO resolved that a criminal case be initiated against the previous operator staff on Article 177 of the Republic of Kazakhstan Criminal code.

During 2008 a resolution was issued by the GPO for assignment of an expert judicial review due to the large scope of the contracts. On an appeal from the previous operator issued in November 2008 for withdrawing this resolution, the response received from the relevant department in early January 2009 was that currently they were evaluating the task and the resources it required to undertake the above judicial review. On 13 July 2009, the expert judicial review was completed and failed to provide sufficient information to the Finance Police to make any decision on the merits of the matter. The Finance Police then ordered that the expertise be repeated. To this end, the previous operator has supplied the relevant and requested documentation and continues to cooperate with the authorities.

44. COMMITMENTS AND CONTINGENCIES (continued)

General Prosecutor Office of the Republic of Kazakhstan criminal investigation (Kashagan) (continued)

Management of the Group believes that the allegations made are without merit. In the unlikely event that allegations are ultimately proved to be correct, management assessment of the potential exposure is limited to the cost recoverability of the expenses incurred in relation to the OIC contract (112 million US Dollars equivalent to 16,509 million Tenge, with Kashagan's share being 18.8 million US Dollars equivalent to 2,771 million Tenge) and to the deductibility of the expenses for current income tax purposes.

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 Chef 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 (*Note 1*). As at December 31, 2010 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 it's subsidiaries amounted to 33,784 million Tenge (2009: 177,684 million Tenge).

Implementation of innovation, industrial and infrastructure projects

As at December 31, 2010 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, 2010 Fund's commitments to provide financing to innovation, industrial and infrastructure projects amounted to 5,000 million Tenge.

Approved projects for implementation of innovation, industrial and infrastructural projects amounted to 53,600 million Tenge. As at December 31, 2010 commitments of Development Bank of Kazakhstan JSC on financing of innovation, industrial and infrastructural projects amounted to 61,400 million Tenge.

45. 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 an all segments of the economy of Republic of Kazakhstan.

The operations of Samruk-Kazyna were included in the segment of Corporate center and projects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. SEGMENT REPORTING (continued)

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 following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2010:

In millions of Tenge	Oil and Gas	Mining	Transportation	Telecommunication	Energy	Financial and Innovation Institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	2,083,257	229,817	656,331	161,629	110,651	306,601	60,929	-	**3,609,215**
Revenues from sales to other segments	15,686	16,870	85,779	4,699	11,140	76,055	282,647	(492,876)	
Total revenue	2,098,943	246,687	742,110	166,328	121,791	382,656	343,576	(492,876)	**3,609,215**
Gross profit	**689,941**	**66,836**	**207,857**	**45,097**	**28,671**	**54,493**	**228,484**	**(206,014)**	**1,115,365**
General and administrative expenses	(138,181)	(17,009)	(64,664)	(23,097)	(9,886)	(118,880)	(12,889)	12,381	**(372,225)**
Transportation and selling expenses	(238,739)	(2,727)	(6,035)	(4,365)	(369)	-	(1,458)	675	**(253,018)**
Finance income	58,671	5,536	4,390	3,263	4,323	769	46,978	(48,324)	**75,606**
Finance cost	(152,577)	(10,187)	(15,941)	(9,710)	(7,678)	(2,038)	-	30,141	**(167,990)**
Share of income in associates and joint ventures	343,176	37,590	245	26,039	7,542	8,567	-	-	**423,159**
Foreign exchange gain/(loss), net	(5,740)	406	(212)	592	866	21,909	585	330	**18,736**
Depreciation, depletion and amortization	(131,142)	(10,938)	(54,952)	(38,232)	(12,343)	(9,447)	(247)	18	**(257,283)**
Impairment of loans issued	(1,120)	-	-	-	-	(1,498)	(11,641)	2,185	**(12,074)**
Impairment of loans issued to banks	-	-	-	-	-	(2,056)	-	(12,755)	**(14,811)**
Impairment of other assets	(11,117)	(1,232)	(9,240)	(676)	504	2,295	(701,493)	700,836	**(20,123)**
Provision charges	33,536	20,361	30,706	40	1,180	(61,597)	-	-	**24,226**
Income tax expense	(132,675)	(13,244)	(44,637)	(5,190)	(4,661)	158,836	12,828	-	**(28,743)**
Net profit for the period from continuing operations	397,035	59,940	74,901	33,108	20,786	(103,645)	(365,829)	517,411	**633,707**
Net profit for the period from discontinued operations	-	-	-	844	-	(200)	-	-	**644**
Total net profit for the period	**397,035**	**59,940**	**74,901**	**33,952**	**20,786**	**(103,845)**	**(365,829)**	**517,411**	**634,351**
Othersegment information									
Total assets of the segment	5,752,399	559,306	1,421,531	403,759	429,409	4,146,905	4,687,269	(4,585,270)	**12,815,308**
Total liabilities of the segment	3,021,046	258,947	619,613	156,569	198,983	3,719,492	1,468,459	(2,050,215)	**7,392,894**
Allowances for obsolete inventories, doubtful accounts receivable and doubtful VAT recoverable	3,214	108	1,031	2,240	(587)	8,403	-	(225)	**14,184**
Investments in associates and joint ventures	696,881	74,985	2,777	53,812	57,832	174,790	35,000	-	**1,096,077**
Capital expenditures	444,932	27,013	205,608	42,846	59,792	14,137	5,010	(469)	**798,869**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

45. SEGMENT REPORTING (continued)

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

In millions of Tenge	Oil and Gas	Mining	Transportation	Telecommunication	Energy	Financial and Innovation Institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,583,479	173,970	559,230	156,252	88,446	348,718	17,534	–	**2,927,629**
Revenues from sales to other segments	6,070	16,307	58,769	4,053	9,147	42,563	177,254	(314,163)	–
Total revenue	1,589,549	190,277	617,999	160,305	97,593	391,281	194,788	(314,163)	**2,927,629**
Gross profit	**539,086**	**68,046**	**134,727**	**54,271**	**20,322**	**42,640**	**150,202**	**(81,455)**	**927,839**
General and administrative expenses	(120,114)	(11,604)	(58,111)	(19,896)	(9,875)	(85,458)	(7,892)	582	**(312,368)**
Transportation and selling expenses	(168,985)	(2,134)	(5,266)	(3,704)	(261)	(231)	(67)	–	**(180,648)**
Finance income	84,867	3,187	3,301	2,497	2,471	965	15,750	(19,102)	**93,936**
Finance cost	(140,826)	(8,117)	(15,904)	(7,220)	(7,899)	(780)	–	11,078	**(169,668)**
Share of income in joint ventures and associates	172,475	16,710	(126)	21,167	491	68,915	(57)	–	**279,575**
Foreign exchange gain/(loss), net	(8,180)	(9,698)	(21,234)	(17,002)	(23,116)	(71,558)	139,043	(839)	**(12,584)**
Depreciation, depletion and amortization	(108,902)	(7,317)	(51,219)	(26,008)	(10,352)	(8,251)	(353)	–	**(212,402)**
Impairment of loans issued	–	–	–	–	–	(932,554)	–	1,398	**(931,156)**
Impairment of loans issued to banks	–	–	–	–	–	(62,391)	21,157	–	**(41,234)**
Impairment of other assets	(17,264)	(337)	(1,481)		10,807	(42,670)	(94,869)	90,495	**(55,319)**
Provision charges	6,636	(112)	1,193	(1,354)	71	(42,233)	–	–	**(35,799)**
Income tax expense	(176,915)	(13,503)	(15,575)	(3,410)	(2,594)	(3,787)	(49,246)	–	**(265,030)**
Net profit for the period from continuing operations	182,494	41,397	22,863	26,780	(6,809)	(977,996)	106,020	(16,126)	**(621,377)**
Net profit for the period from discontinued operations	–	–	–	(5,069)		323	(521)	–	**(5,267)**
Total net profit for the period	**182,494**	**41,397**	**22,863**	**21,711**	**(6,809)**	**(977,673)**	**105,499**	**(16,127)**	**(626,644)**
Other segment information									
Total assets of the segment	5,137,750	409,757	1,099,061	402,019	360,925	3,782,730	4,545,865	(4,664,058)	**11,074,049**
Total liabilities of the segment	2,780,262	152,131	401,882	184,333	211,002	3,946,511	1,126,058	(2,473,137)	**6,329,042**
Allowances for obsolete inventories, doubtful accounts receivable and doubtful VAT recoverable	2,462	23	3,722	1,335	706	8,145	–	–	**16,393**
Investments in associates and joint ventures	646,058	43,213	2,553	48,131	54,780	167,954	132,610	–	**1,095,299**
Capital expenditures	386,004	28,580	115,354	50,701	45,627	4,763	132	(12)	**631,149**

46. SUBSEQUENT EVENTS

Changes in legislation

The Government increased customs duty on crude oil export from 20 US Dollars to 40 US Dollars per ton effective from January 1, 2011.

Following a notification received by Rompetrol Rafinare S.A. from the Ministry of Economy, Trade and Business Environment of Romania, starting from January 20, 2011, the Group is no longer obliged to bill and collect from its customers on behalf of the Romanian state a special tax, called Special Fund of Petroleum Products.

Contribution to the share capital of the Fund

In the first half of 2011, the Government has contributed to the charter capital of the Fund 57,283 million tenge. Contributions have been made in the form of cash and property of 56,080 million Tenge and 1,203 million Tenge, respectively.

Operating activity

KMG

In January 2011, the Government approved gas export price with Gasprom Germany at 185 US Dollars per 1,000 cubic meters for 2011 (2010: 170 US Dollars per 1,000 cubic meters) and KMG concluded the following three contracts with Gasprom:

- A contract for a term of 5 years, dated January 26, 2011, which covers transportation of gas from Turkmenistan to export points on the Russia/Kazakhstan border. This contract provides for transportation of up to 28 bcm of natural gas per year.
- A contract for a term of 5 years, dated January 26, 2011, which covers transit of Russian natural gas through the Orenburg-Novopskov pipeline in north-western Kazakhstan. This contract provides for transportation of up to 50 bcm of natural gas during 2011.
- A contract for a term of one year, dated January 26, 2011, which covers transit of Russian natural gas through the Orenburg-Novopskov pipeline in north-western Kazakhstan. This contract provides for transportation of up to 12.5 bcm of natural gas.

On March 1, 2011 the Board of Directors of KMG approved the planned sales of the rights under subsoil use contracts for exploration of hydrocarbons at Temir and Teresken areas for 33 million US Dollars, and the rights under subsoil use contracts for exploration of hydrocarbons at Karaton-Sarkamys blocks in Atyrau region related Uzen and Karamandybas oilfields in Mangystau region for 7 million US Dollars. The Company plans to finalize the transactions in April 2011.

KTZh

In January 2011 KTZh agreed to increase freight transportation tariffs by an average of 15% and passenger transportation tariffs by an average of 10%.

On January 2011 JSC "Kaztemirtrans", subsidiary of KTZh, entered into agreement with Intersnab LLP to purchase cargo wagons for 25,186 million tenge.

Kazatomprom

On 11 March 2011 Japan has been rocked by a series of earthquakes causing a major Tsunami. Taking into account that Japan consumes about 8 to 12 percent of the world's uranium supply, there is risk of decrease in demand and price drop in markets. The management of the Group believes that the consequences of Japanese disaster will not cause decrease in demand of Kazatomprom's uranium to Japan and will not have a significant impact on consolidated financial statements over the long-term.

46. SUBSEQUENT EVENTS (continued)

Operating activity (continued)

Kazatomprom (continued)

On June 13, 2011 in Astana, Republic of Kazakhstan, was signed an agreement on strategic cooperation in nuclear energy field between the National Atomic Company "Kazatomprom" JSC and China National Nuclear Corporation (CNNC).

Air-Astana

On October 13, 2009 Air Astana JSC concluded agreement on lease of 2 Embraer ERJ 190-100 LR which was renegotiated on April 14 and 28, 2011. These air-ships were received on April 20 and May 14, 2011. On February 16, 2011 Air Astana JSC concluded agreement on lease of aircraft Embraer E 190-100 LR. This aircraft is expected to be received in October 2011.

Dividends Received

During the period from January 1 to June 30 of the current year, KazMunayGas JSC received from TengizShevroil LLP dividends for the amount of 400 million US Dollars.

On March 31 of the current year, KazGerMunay LLP announced dividends in the amount of 200 million US Dollars. On April 6, 2011 E&P KazMunayGas has received from KazGerMunay LLP dividends in the amount of 100 million US Dollars.

Changes in the structure of the Group

On March 11, 2011 E&P KMG announced about the agreement for acquisition of 50% of shares of Ural Group Limited ("UGL") from Exploraiton Venture Limited ("EVL"). UGL owns 100% interest in Ural Oil and Gas LLP ("UOG") which holds the hydrocarbons exploration right on Fedorov Block located in the western Kazakhstan. The purchase price of 50% in UGL amounted to 149.1 million US Dollars which includes 61.3 million US Dollars to be paid for shares and 87.8 million US Dollars to be paid for the receivables (as of January 1, 2010). In accordance with the terms of the purchase agreement the receivables will be paid to E&P KMG upon the commencement of commercial production. The final consideration for the receivables is subject to adjustments for financing the work program by EVL to the date of the deal closing. The transaction will be financed out of the E&P KMG own funds. Management approved the transaction however the final approval is subject to completion of certain conditions including the concurrence from the regulatory body.

On April 12, 2011 in accordance with the Government decree of Republic of Kazakhstan No. 295 dated March 30, 2011 the Fund transferred to the State Property and Privatisation Committee of the Ministry of Finance of Kazakhstan ordinary shares of House Construction Savings Bank of Kazakhstan JSC and Kazakhstan Mortgage Loans Guarantee Fund JSC.

On April 11, 2011 BTA Bank additionally acquired shares of "Ular-Umit" and "Zhetysu" and increased its ownership up to 100%.

In April 2011, the Fund established 100% owned subsidiary "Samruk – Kazyna Finance" LLP with the purpose of increase the effectiveness of financial assets management owned by the Fund.

Borrowings

Received

On January 27, 2011 KTZh entered into framework loan agreement with JSC "ATF Bank" on opening a credit line of 95,000 million US Dollars, for refinancing the debt to ABN Amro Bank N.V. with a maturity period through January 27, 2016, and floating interest rate of 6 months LIBOR for USD denominated deposits.

On 1 February 2011 DBK issued 277 million US Dollars medium-term notes, which bear a coupon rate of 5.5% per annum and mature in December 2015.

46. SUBSEQUENT EVENTS (continued)

Borrowings (continued)

Received (continued)

On March 2, 2011 KMG obtained a new loan from VTB CAPITAL PLC for the amount of 300 million US Dollars with one year maturity bearing an interest rate of 4,55 + LIBOR per annum and on March 4, 2011 fully repaid its short-term bank loan from Deutsche Bank AG.

Within the second bond program in April 2011, the Fund has placed bonds for the amount of 75,000 million Tenge. The bonds have a maturity of 7 years with a coupon rate 5.89% per annum.

Repaid

On January 20, 2011 DBK made an early repayment the loan received from the Export-Import Bank of China in the amount of 500 million US Dollars. Also on March 24, 2011 there was made an early repayment of loan received from Bayern LB for the amount of 100 million US Dollars.

On March 31, 2011 the Bank repaid in full the first tranche of US Dollars under the Legacy Loan within the framework of Revolving Committed Trade Finance Facility agreement (RCTFF) in accordance with the schedule. The amount of payment totalled 175 million US Dollars. As part of the repayment the Bank financed two transactions on the total amount of approximately 1 million US Dollars. These transactions have become the first transactions in the development of RCTFF facility, the facility agreement was concluded for the period of 3 years with two year period of development.

On May 11, 2011 KTZh made repayment of 5-year eurobonds in the amount of 450 million US Dollars, which were issued on May 11, 2006. The repayment was made from its own resources, accrued in accordance with the program of accumulation of funds for repayment of the 5-year eurobonds.

Financial position of BTA

On February 22, 2011 GDRs and new Bank bonds, denominated in foreign currency were included into LuxSE listing. Since February 23 they were accepted for trading on a specialized trading floor of this stock exchange - Euro MTF Market. Thus, BTA Bank has completed the listing procedure of new bonds and GDR on LuxSE that were issued as a part of restructuring its financial obligations.

On May 25, 2011 International rating agency Moody's Investors Service raise the long-term deposit ratings of BTA in the national and foreign currency from «Caa3» to «B3».

Other Events

Key Management Personnel

On April 12, 2011 Mr. Kulibayev T.A., who was previously Deputy Chairman of the Management Board, was appointed as a new Chairman of the Management Board of the Fund.

The previous Chairman of the Foundation Board Kelimbetov K.N. appointed as Minister of Economic Development and Trade of the Republic of Kazakhstan.

Repurchase of its own shares by E&P KMG

As part of its buy-back program, on February 3, 2011 E&P KMG purchased 236,430 preferred shares at an aggregate purchase price of 4,552 million Tenge via a specialized trade of its preferred shares on KASE. As of February 3, 2011, E&P KMG purchased 1,582,643 preferred shares from the start of the buy-back program for an aggregate price of 28,910 million Tenge. Management of the Group estimates that as a result of this transaction the equity attributable to the equity holders of KazMunayGas will decrease by 313 million Tenge (the excess of purchase price over book value).

Sales of ordinary shares of Halyk Bank Kazakhstan JSC

In March 2011, Holding Group ALMEX JSC and Halyk Bank Kazakhstan JSC signed an agreement on assignment of right of demand for partial exercise of option on ordinary shares of Halyk Bank Kazakhstan JSC.

46. SUBSEQUENT EVENTS (continued)

Other Events (continued)

Sales of ordinary shares of Halyk Bank Kazakhstan JSC (continued)

In accordance with this agreement on March 30, 2011 Halyk Bank Kazakhstan JSC realized its right for partial execution of option (Note 6) and acquired 213,000,000 of its ordinary shares.

Furthermore, Holding Group ALMEX JSC exercised an option and redeemed 46,064,909 ordinary shares of Halyk Bank Kazakhstan JSC.

The program "The People's IPO"

In February 2011 the President of the Republic of Kazakhstan, N. Nazarbayev ordered the Government to develop a program of domestic firms share placing on the domestic stock market.

Implementing orders of the President and the Government of the Republic of Kazakhstan on public offering of shares of subsidiaries of the Fund on the stock market, the Found with the assistance of experienced international consulting companies develops detailed proposals concerning the mechanism, structure and timing of the program. Independent consultants examine the Fund's companies in order to determine the most suitable candidates for an IPO. Selective criteria are based on international best practices used by private companies before listing. Particular attention is paid to the financial performance and stability of companies, as well as the quality of corporate governance, availability of strategies for further successful development.