JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

Consolidated financial statements
for the year ended 31 December 2011

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONTENTS

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

Management of Joint Stock Company Central-Asian Power-Energy Company (hereinafter – "the Company") and its subsidiaries (hereinafter – "the Group") is responsible for the preparation of consolidated financial statements that present fairly in all material respects the consolidated financial position of the Group as at 31 December 2011, and the consolidated financial results of its operations, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

These consolidated financial statements for the year ended 31 December 2011 were approved by Group management on 25 June 2012.

On behalf of Group management:

G. D. Artambayeva	**K. E. Serikova**
President	**Chief accountant**
25 June 2012	25 June 2012

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Joint Stock Company Central-Asian Power-Energy Company:

We have audited the accompanying consolidated financial statements of Joint Stock Company Central-Asian Power-Energy Company ("the Company") and its subsidiaries (jointly – "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Basis for qualified opinion

As disclosed in Notes 20 and 46, employee bonus payment was made by equity instruments and measured at fair value. The Group recognised the difference between the nominal value of shares and their fair value in other comprehensive income, which in our opinion does not comply with IAS 1 *Presentation of Financial Statements*.

Qualified opinion

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

Emphasis of matter

We draw attention to:

- Note 46 to the accompanying consolidated financial statements which discloses the significant transactions of the Group with related parties.
- Note 49 to the accompanying consolidated financial statements, which discloses the pension assets held by Accumulative Pension Fund Astana JSC (a subsidiary), not consolidated into the accompanying consolidated financial statements. As at 31 December 2011, the pension assets of Accumulative Pension Fund Astana JSC included financial assets at fair value through profit or loss, and investments available-for-sale, for which the value was assessed on the basis, stipulated by the Committee on control and supervision of financial market and financial organizations of the National Bank of the Republic of Kazakhstan. Management believes that this value is the best indicator of the market value of these investments, due to no other active market information being available.

Our opinion is not qualified in respect of these matters.

Deloitte, LLP

Tatyana Gutova
Engagement Partner
Qualified auditor
Qualification certificate No. 0000314,
dated 23 December 1996,
Republic of Kazakhstan

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
No. 0000015, type MFU – 2, issued by the Ministry of
Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

25 June 2012
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

(in thousands of tenge)

	Notes	31 December 2011	31 December 2010	1 January 2010
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	8	94,132,588	64,355,716	57,834,262
Goodwill	9	3,840,205	2,451,859	2,451,859
Intangible assets		212,933	118,769	124,210
Other financial assets	17	4,279,581	1,071,830	1,137,818
Loans to customers	10	31,485,546	27,755,572	29,677,995
Advances paid for the acquisition of non-current assets	14	10,858,252	7,411,512	6,518,579
Deferred tax assets	24	94,730	120,344	50,852
Other non-current assets	11	259,397	195,345	226,236
Total non-current assets		**145,163,232**	**103,480,947**	**98,021,811**
CURRENT ASSETS:				
Inventories	12	2,648,787	2,017,080	1,545,105
Current portion of loans to customers	10	36,795,705	39,279,062	24,569,019
Trade accounts receivable	13	7,879,463	6,088,623	5,539,044
Advances paid	14	3,859,003	2,458,968	2,031,981
Corporate income tax prepaid		595,458	215,559	80,991
Taxes receivable and prepaid taxes	15	976,125	384,348	111,256
Other accounts receivable	16	4,602,931	2,249,949	1,517,608
Current portion of other financial assets	17	1,607,360	10,760,457	9,065,910
Other current assets		34,648	-	-
Cash and cash equivalents	18	14,693,916	14,870,981	8,326,195
		73,693,396	**78,325,027**	**52,787,109**
Assets classified as held for sale	19	-	224,693	227,240
Total current assets		**73,693,396**	**78,549,720**	**53,014,349**
TOTAL ASSETS		**218,856,628**	**182,030,667**	**151,036,160**
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	20	17,022,347	16,999,047	15,484,585
Additional paid-in capital		3,402,520	-	-
Revaluation reserve on property, plant and equipment		14,219,382	8,132,287	9,019,344
Reserve fund for the revaluation of investments available for sale		82,315	72,834	(161)
Foreign currency translation reserve		-	(250,172)	(248,746)
Retained earnings		19,435,133	21,236,286	20,464,396
Equity attributable to the shareholders of the parent company		**54,161,697**	**46,190,282**	**44,719,418**
Non-controlling interests	21	34,272,589	18,691,064	18,519,124
Total equity		**88,434,286**	**64,881,346**	**63,238,542**

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

	Notes	31 December 2011	31 December 2010	1 January 2010
NON-CURRENT LIABILITIES:				
Bonds issued	22	37,343,409	40,178,948	37,158,753
Long-term loans	23	12,673,652	6,978,512	8,817,888
Deferred tax liabilities	24	13,465,608	9,050,360	6,326,037
Customer accounts	25	374,522	6,861,278	12,564,807
Subordinated debt	26	1,800,856	1,800,196	1,818,128
Ash dump restoration liabilities	28	291,353	186,390	117,605
Employee benefit obligations	29	72,654	68,367	62,571
Deferred revenue	34	491,803	262,238	278,517
Long-term accounts payable	27	107,023	112,369	109,119
Total non-current liabilities		**66,620,880**	**65,498,658**	**67,253,425**
CURRENT LIABILITIES:				
Current portion of bonds issued	22	6,055,903	2,539,267	2,392,172
Trade accounts payable	30	6,448,132	4,490,729	4,495,020
Current portion of customer accounts	25	38,152,594	33,555,352	6,524,240
Short-term loans and current portion of long-term loans	23	8,005,930	7,193,182	3,954,166
Current portion of ash dump restoration liabilities	28	150,111	20,661	11,080
Current portion of employee benefit obligations	29	7,954	6,910	5,773
Advances received	31	2,102,853	1,674,692	1,351,699
Corporate income tax payable		1,832	234,089	44,100
Taxes payable and non-budgetary payments	32	636,303	521,116	597,365
Current portion of financial lease obligations		-	-	-
Other liabilities and accrued expenses	33	2,239,850	1,409,058	1,162,347
		63,801,462	**51,645,056**	**20,537,962**
Liabilities directly associated with assets held for sale	19	-	5,607	6,231
Total current liabilities		**63,801,462**	**51,650,663**	**20,544,193**
TOTAL EQUITY AND LIABILITIES		**218,856,628**	**182,030,667**	**151,036,160**

On behalf of Group management:

G. D. Artambayeva
President

25 June 2012

K. E. Serikova
Chief Accountant

25 June 2012

The notes on pages 11-74 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

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

(in thousands tenge)

	Notes	2011	2010
CONTINUING OPERATIONS			
REVENUE			
Electricity and heat production and other	35	65,291,110	55,198,156
Financial services	35	10,160,429	9,354,809
		75,451,539	64,552,965
COST			
Electricity and heat production and other	36	(51,901,753)	(42,667,912)
Financial services	36	(3,390,678)	(2,818,672)
		(55,292,431)	(45,486,584)
GROSS PROFIT		**20,159,108**	**19,066,381**
General and administrative expenses	37	(6,955,995)	(7,797,291)
Selling expenses	38	(593,872)	(543,141)
Provision on loans to customers	10	(2,940,322)	(3,440,865)
Other income	39	393,356	841,715
Foreign exchange gain		417,772	368,936
Finance income	40	471,710	104,289
Finance costs	41	(4,607,537)	(4,087,690)
Impairment loss on property, plant and equipment	8	(273,320)	-
Net gain on operations with financial assets at fair value through profit or loss	42	1,020,521	183,507
PROFIT BEFORE INCOME TAX		**7,091,421**	**4,695,841**
INCOME TAX EXPENSE	24	(2,074,151)	(2,870,375)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,017,270**	**1,825,466**
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	43	(469,258)	(396)
PROFIT FOR THE YEAR		**4,548,012**	**1,825,070**
OTHER COMPREHENSIVE INCOME			
Effect of a change in income tax rates	24	-	(495,325)
Revaluation of property, plant and equipment	8	13,044,907	-
Income tax relating to components of other comprehensive income	24	(2,608,980)	-
Employee remuneration expenses	46	(3,402,520)	-
Reclassification of exchange differences on foreign operations, disposed during the year		250,172	-
Exchange differences on translating foreign operations		-	(1,426)
Net gain on investments available for sale		(97,351)	72,995
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**7,186,228**	**(423,756)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**11,734,240**	**1,401,314**
Profit attributable to:			
Shareholders of the parent company		2,666,436	812,820
Non-controlling interests		1,881,576	1,012,250
Total comprehensive income attributable to:			
Shareholders of the parent company		5,850,664	499,567
Non-controlling interests		5,883,576	901,747

On behalf of Group management:

G. D. Artambayeva
President
25 June 2012

K. E. Serikova
Chief Accountant
25 June 2012

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JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

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

	Share capital	Additional paid-in capital	Revaluation reserve on property, plant and equipment	Foreign currency translation reserve	Reserve fund for the revaluation of investments available for sale	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance as at 31 December 2010	16,999,047	-	8,132,287	(250,172)	72,834	21,236,286	46,190,282	18,691,064	64,881,346
Subsidiaries acquisition (Note 44)	-	-	-	-	-	-	-	2,227,493	2,227,493
Change of interest in subsidiaries	-	-	-	-	-	(1,066,738)	(1,066,738)	7,769,471	6,702,733
Restructuring of subsidiaries	-	-	34,697	-	106,832	(141,529)	-	-	-
Amortisation of revaluation reserve	-	-	(381,529)	-	-	381,529	-	-	-
Dividends paid (Note 20)	-	-	-	-	-	-	-	(299,015)	(299,015)
Adjustment of an interest-free loans to the fair value, less effect of deferred tax 59,584 thousand tenge (Notes 16 and 24)	-	-	-	-	-	(238,331)	(238,331)	-	(238,331)
Issue of shares (Note 20)	23,300	3,402,520	-	-	-	-	3,425,820	-	3,425,820
Profit for the year	-	-	-	-	-	2,666,436	2,666,436	1,881,576	4,548,012
Other comprehensive income/(loss)	-	-	6,433,927	250,172	(97,351)	(3,402,520)	3,184,228	4,002,000	7,186,228
Total comprehensive income	-	-	6,433,927	250,172	(97,351)	(736,084)	5,850,664	5,883,576	11,734,240
Balance as at 31 December 2011	17,022,347	3,402,520	14,219,382	-	82,315	19,435,133	54,161,697	34,272,589	88,434,286

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

	Share capital	Revaluation reserve on property, plant and equipment	Foreign currency translation reserve	Reserve fund for the revaluation of investments available for sale	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance as at 31 December 2009	15,484,585	9,019,344	(248,746)	(161)	20,464,396	44,719,418	18,519,124	63,238,542
Change of interest in subsidiaries	-	-	-	-	(490,924)	(490,924)	(553,836)	(1,044,760)
Amortisation of revaluation reserve	-	(502,235)	-	-	502,235	-	-	-
Dividends paid	-	-	-	-	-	-	(175,971)	(175,971)
Adjustment of an interest-free loan to the fair value, less effect of deferred tax 13,060 thousand tenge (Notes 16, 24 and 33)	-	-	-	-	(52,241)	(52,241)	-	(52,241)
Issue of shares (Note 20)	1,514,462	-	-	-	-	1,514,462	-	1,514,462
Profit for the year	-	-	-	-	812,820	812,820	1,012,250	1,825,070
Other comprehensive (loss)/income	-	(384,822)	(1,426)	72,995	-	(313,253)	(110,503)	(423,756)
Total comprehensive income	-	(384,822)	(1,426)	72,995	812,820	499,567	901,747	1,401,314
Balance as at 31 December 2010	16,999,047	8,132,287	(250,172)	72,834	21,236,286	46,190,282	18,691,064	64,881,346

On behalf of Group management:

G. D. Artambayeva
President

25 June 2012

K. E. Serikova
Chief Accountant

25 June 2012

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JOINT STOCK COMPANY CENTRAL-ASIAN POWER-ENERGY COMPANY AND ITS SUBSIDIARIES

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

	Notes	2011	2010
OPERATING ACTIVITIES:			
Profit before income tax		6,622,163	4,695,445
Adjustments for:			
Depreciation and amortisation	36, 37, 38, 39	3,261,998	3,078,961
Provision on loans to customers	10	2,940,322	3,440,865
Employee benefir costs	29	16,621	18,138
Accrual of provision for obsolete inventory	12	18,692	11,545
(Recovery)/accrual of provision for doubtful debts	13,14,16, 39, 41	(22,569)	1,190,711
Interest income from guarantees	39	(10,029)	(13,606)
Loss/(income) from the disposal of property, plant and equipment		5,876	(7,557)
Loss from disposal of subsidiary		469,258	-
Finance costs	41	4,607,537	4,087,690
Net gain on operations with financial assets recorded at the fair value through profit or loss	42	(1,020,521)	(183,507)
Foreign exchange gain		(417,772)	(368,936)
Interest income from financial aid	40	(287,750)	(90,683)
Income from repurchase of bonds	39	(32,484)	(304,278)
Interest income from deposits		(166,525)	(1,195)
Impairment loss on property, plant and equipment	8	273,320	-
Provisions for unused vacation		8,539	11,183
Cash flows from operating activities before changes in working capital		16,266,676	15,564,776
Increase in loans to customers		(4,186,939)	(16,239,150)
Increase in inventories		(723,659)	(482,715)
Increase in trade accounts receivable		(1,693,251)	(1,635,990)
Decrease/(increase) in advances paid		781,548	(495,332)
Increase in taxes receivable and prepaid taxes		(572,369)	(374,335)
Increase in other accounts receivable		(77,672)	(797,474)
Increase/(decrease) in trade accounts payable		728,398	(4,291)
(Decrease)/increase in customer accounts		(1,889,514)	21,327,583
Increase in advances received		250,137	322,993
Decrease in taxes payable and non-budgetary payments		(27,489)	(76,249)
Decrease in ash dump restoration liabilities		(165,117)	(18,863)
Decrease in employee benefit obligations		(11,290)	(11,205)
Increase in other liabilities and accrued expenses		690,413	450,503
Decrease in deferred revenue		(2,400)	(9,310)
Cash provided by operating activities		9,367,472	17,520,941
Income tax paid		(897,332)	(541,144)
Interest paid		(4,206,171)	(4,050,748)
Net cash provided by operating activities		4,263,969	12,929,049

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

	Notes	2011	2010
INVESTING ACTIVITIES:			
Proceeds from the disposal of property, plant and equipment		379,450	2,199,918
Proceeds from return of deposits		-	158,945
Acquisition of non-current assets		(19,368,151)	(12,462,288)
Acquisition of subsidiaries	44	(1,055,471)	-
Acquisition of investments		(8,276,144)	(1,187,727)
Proceeds from the sale of investments		12,667,261	-
Placement of deposits		(10,132)	-
Proceeds from intangible assets		(93,423)	(21,952)
Net cash used in investing activities		(15,756,610)	(11,313,104)
FINANCING ACTIVITIES:			
Proceeds from issuing shares	20	23,300	-
Proceeds from the sale of interest in subsidiaries		7,288,389	125,035
Proceeds from issuing bonds		2,233,925	5,265,901
Payment for buy-back of bonds		(2,183,601)	(1,974,898)
Proceeds from loans		12,652,735	9,041,117
Payment of dividends	20	(299,015)	(175,971)
Financial aid provided to shareholder	16	(2,456,100)	(250,646)
Payment of financial aid provided to shareholder	16	1,280,342	-
Financial aid provided to related party	16	(1,122,000)	-
Payment of financial aid provided to related party		145,530	-
Repayment of loans		(6,735,173)	(7,469,845)
Acquisition of investments available for sale		-	(15,345)
Other non-current assets		18,529	30,086
Net cash provided by financing activities		10,846,861	4,575,434
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(645,780)	6,191,379
Effect of changes in foreign exchange rate on cash balance in foreign currency		468,715	353,407
CASH AND CASH EQUIVALENTS at the beginning of the year	18	14,870,981	8,326,195
CASH AND CASH EQUIVALENTS at the end of the year	18	14,693,916	14,870,981

Non-cash transactions:

- In 2011 the Group capitalized borrowing costs for the total amount of 213,391 thousand tenge (2010: 160,357 thousand tenge) (Note 8).
- In 2011 the Group paid withholding tax using the offset of other accounts receivable of 69,636 thousand tenge (2010: 106,162 thousand tenge).
- In 2011 the Group amortized the discount on the bonds issued of 129,688 thousand tenge (2010: 106,162 thousand tenge).
- In 2011 the Group transferred to other non-current assets the inventories held-for-use as a component for production of property, plant and equipment of 183,659 thousand tenge (2010: 107,082 thousand tenge).
- In 2011 the Group carried out capital repair of property, plant and equipment using its own resources and capitalized payroll expenses of 67,020 thousand tenge (2010: 35,671 thousand tenge).
- In 2011 the Group paid current corporate income tax using the offset of withholding tax of 57,196 thousand tenge (2010: nil tenge).

On behalf of Group management:

G. D. Artambayeva	**K. E. Serikova**
President	**Chief Accountant**
25 June 2012	25 June 2012

The notes on pages 11-74 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

(in thousand tenge)

1. NATURE OF OPERATIONS

Joint Stock Company Central-Asian Power-Energy Company (the "Company" or "Parent Company") was created 1 September 1998. The Company's legal address is Republic of Kazakhstan, Almaty, Karasai batyr street 89.

The main activities of the Company and its subsidiaries (hereinafter – the "Group") are the production, transfer and distribution of electricity and heat, and the provision of financial services.

As at 31 December 2011 the Company's shareholders are Mr. E. Amirkhanov (30.99%), Mr. A. Klebanov (30.99%), Mr. S. Kan (30.99%) and Mrs. G. D. Artambayeva (7.03%), residents of the Republic of Kazakhstan (31 December 2010 and 1 January 2010: Mr. E. Amirkhanov (33.33%), Mr. A. Klebanov (33.34%) and Mr. S. Kan (33.33%)).

The Company has a share in the following legal entities:

Subsidiaries	Location	Main activities	Share 31 December 2011	31 December 2010	1 January 2010
Exim Leasing Kazakhstan LLP	Almaty, Republic of Kazakhstan	Leasing operations, general commercial, trade purchase and agency activity	-	-	100.00%
Accumulative Pension Fund Astana JSC (hereinafter – the "Fund")	Almaty, Republic of Kazakhstan	Pension fund service, investment activity	53.34%	-	-
Eximbank Kazakhstan JSC (hereinafter - the "Bank")	Almaty, Republic of Kazakhstan	Banking	67.26%	65.46%	68.47%
Central-Asian Electric Power Corporation JSC (hereinafter – "CAEPCO")	Almaty, Republic of Kazakhstan	Electricity and heat energy production, distribution and sale	62.12%	75.12%	75.12%
Institute KazEnergoprom LLP	Almaty, Republic of Kazakhstan	Development of project documentation in energy field	95.1%	-	-
Amanat Pension Fund JSC	Almaty, Republic of Kazakhstan	Pension fund service, investment activity	-	99.98%	99.95%

In April 2011 CAEPCO JSC concluded a subscription agreement with Islamic Infrastructure Fund (hereinafter – "IIF"), under which IIF has acquired 12.89% shares in CAEPCO JSC. As at December 31, under the Novation agreement dated April 12, 2011, KAZ HOLDINGS COOPERATIEF UA is the successor of IIF.

In April 2011 the Company acquired the shares of Eurasian Accumulative Pension Fund JSC, in July 2011 assets of Amanat Pension Fund JSC and ENPF JSC were merged in the joint fund, which changed its name to Accumulative Pension Fund Astana JSC.

In December 2011 the Company acquired 95.1% share in Institute KazEnergoprom LLP. Institute KazEnergoprom LLP owns 100% of common shares of Institute KazNIPIEnergoprom JSC, which provides design and research activities in the field of power-energy complex. As at December 31, 2011 Institute KazNIPIEnergoprom JSC owns 6.66% shares of the Fund.

As at 31 December 2011 and 2010 and 1 January 2010 total number of employees of the Group was 9,110 people, 8,734 people and 8,970 people, respectively.

These consolidated financial statements were approved by the Group's management and authorized for issue on 25 June 2012.

2. CURRENT ECONOMIC ENVIRONMENT

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Kazakhstan and Kazakhstan's economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Kazakhstan. The future economic direction of the Republic of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan's economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

3. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements of the Group have been prepared on the historical cost basis, except for the following:

- valuation of property, plant and equipment according to IAS 16 "Property, plant and equipment" ("IAS 16");
- valuation of some financial instruments according to IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39").

Functional and presentation currency

The functional and presentation currency of these consolidated financial statements is tenge.

Adoption of the new and revised International Financial Reporting Standards

Standards and Interpretations effective in the current period:

The Group has adopted the following Standards and Interpretations during the year:

- IAS 1 Presentation of Financial Statements – (amendment);
- IAS 24 Related Party Disclosures (as revised);
- IFRIC 14 Prepayments of a Minimum Funding Requirement;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments;
- IAS 32 Financial Instruments: Presentation Classification of Rights Issues (amendment); and
- IFRS 3 Business Combinations.

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

The adoption of these Standards did not affect the consolidated results of operations or the consolidated financial position.

(in thousand tenge)

Standards and Interpretations in issue to be adopted in future periods

As at the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

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

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have not significant impact on amounts reported in the consolidated financial statements.

The management of the Group anticipates that all other stated above Standards and Interpretations will have no material impact on consolidated financial statements in the period of initial application.

Foreign currency and operations in foreign entities

Tenge is not a fully convertible currency outside of Kazakhstan. Transactions in foreign currencies are recorded at the market rate prevailing at the date of the transaction using market rates, set by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies that are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using the cross-rates to US Dollar in accordance with the quotations received from *REUTERS*.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange effective as at the reporting date. All differences arising from a change in exchange rates subsequent to the date of transaction are recognised in profit and loss. Non-monetary assets and liabilities denominated in foreign currencies and recorded at the fair value are translated into tenge at the exchange rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of the historical cost in foreign currency are not retranslated.

(in thousand tenge)

The financial statements of foreign subsidiaries where the functional currency is the USD are translated into tenge during consolidation. Assets and liabilities are translated at the exchange rate prevailing at the consolidation date, while profit or losses are translated at the average rate for the years ended 31 December. Exchange differences arising from translation are recorded in other comprehensive income. Upon the disposal of a foreign subsidiary, the deferred cumulative amount attributable to a specific foreign company is recognised in income or loss.
The following table shows the tenge exchange rate at specific dates:

	31 December 2011	31 December 2010	1 January 2010
USD	148.40	147.40	148.46

Average tenge exchange rates for the years ended 31 December are:

	2011	2010
USD	146.62	147.35

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or sold during the year are included in the consolidated statement of comprehensive income from the date of their actual purchase or to the effective date of sale, respectively. The total comprehensive income of subsidiaries is distributed among the shareholders of the Company and holders of non-controlling interest (NCI), even if it leads to a negative balance of NCI.

Where necessary, the financial statements of the subsidiaries were adjusted in order to put accounting policies of the subsidiaries in line with the accounting policy used by the Group.

All significant intercompany transactions, balances and unrealized gains (losses) on transactions are eliminated on consolidation.

Business combinations

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. The Group tests goodwill for impairment annually, or more frequently when there is indication that the goodwill may be impaired. The goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

An excess of the share of the company-acquirer in the fair value of the net identifiable assets acquired, liabilities and contingent liabilities assumed over the sum of the consideration transferred is recognised immediately in profit or loss.

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received recognized directly in equity.

Property, plant and equipment

Property, plant and equipment are initially recorded at historical cost. All the property, plant and equipment acquired before 1 January 2005 – date of transition to IFRS – are recorded at the revalued cost being the deem cost. The cost of acquired property, plant and equipment represents the cost of funds paid upon acquisition of respective assets and other directly related costs incurred in delivery of assets to the facility and necessary preparation for their planned utilization.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other fixed assets, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is required.

After the initial recognition the property, plant and equipment is recorded at the revalued value which represents the fair value at the date of revaluation less accumulated depreciation and any subsequent impairment of the value. The revaluation of property, plant and equipment is conducted on a regular basis so that the possible difference between the carrying value and estimated fair value at the reporting date would be immaterial. The accumulated depreciation at the date of revaluation is eliminated against the total carrying value of the asset, after which the carrying value is restated to the revalued cost of the asset.

If the carrying amount increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading revaluation surplus. However, such an increase should be recognized in profit or loss to the extent that it reverses the decrease in value on revaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset as a result of revaluation decreases, the amount of such a decrease is included in profit or loss. Nevertheless, this decrease should be recognized in other comprehensive income in the amount of existing credit balance, if any, reflected in revaluation surplus in respect of that asset. The decrease, as recognized in other comprehensive income, reduces the amount accumulated in equity under the heading of revaluation surplus.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to profit or loss as incurred.

Depreciation of revalued property, plant and equipment is charged to profit or loss. Depreciation of assets under construction commences when the assets are ready for their intended use. Depreciation is charged so as to write off the cost of assets over the estimated useful lives of the assets, using the straight-line method, on the following basis:

Buildings and structures	5-50 years
Machines and production equipment	5-35 years
Vehicles	5-15 years
Others	3-15 years

The carrying amount of an asset, useful life and methods are reviewed and adjusted, if needed, at the end of each financial year.

The gain or loss arising on disposal of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated according to the straight-line method over the estimated useful lives of assets, which is 7-10 years.

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an undeterminable useful life is tested for impairment annually and when there is an indication that the asset can be impaired.

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as an expense. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as income.

Financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Effective interest method

The effective interest method is a method to calculate the amortized cost of a financial asset and to allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, over a shorter period.

Financial assets

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 47.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Due from banks, loans to customers, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Due from banks

In the normal course of business, the Group maintains deposits for various periods of time with banks. Due from banks are initially recognized at fair value. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method. Due from banks are carried net of any allowance for impairment losses. Those that do not have fixed maturities are carried at amortized cost based on expected maturities.

Trade and other accounts receivable

Trade and other receivables are recognized and recorded in the consolidated statement of financial position at invoiced amounts less the provision for doubtful debt. The provision for doubtful debt is accrued when the debt is unlikely to be fully repaid. The provision for doubtful debt is accrued by the Group when the debt is not repaid within contractual terms. The provision for doubtful debt is regularly revised and, if adjustments are necessary, appropriate amounts are recorded in profit or loss in the period in which such need arises.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, free balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan and due from banks with original maturity within 90 days.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of comprehensive income in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than it is entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Leasing

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct cost of materials and, where applicable, direct labor and overheads incurred to bring inventories to their current location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Share capital

Contributions to share capital are recognized at cost. Costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after reporting sheet date are treated as a subsequent event under IAS 10 "Events after the Reporting Period" and disclosed accordingly.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' ("FVTPL") or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Derivative financial instrument is a financial liability classified as held for trading.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 47.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the nature of signed contractual agreements and the definitions of financial liability and equity instruments. An equity instrument is any contract which evidences the residual share in the Group's assets after deduction of all its liabilities. The accounting policy for specific financial liabilities and equity instruments is stated below.

Other financial liabilities

Other financial liabilities, including due to banks, customer accounts, debt securities issued, other borrowed funds, other liabilities and subordinated debt are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Bank loans and debt securities

Bank loans and debt securities, after initial recognition, are recorded at the amortized cost using effective interest rate method.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially recorded at the fair value and subsequently at amortized cost using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets ; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The fair values are estimated based on pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated statement of comprehensive income if material, otherwise in net gain/loss on foreign exchange operations.

Preferred shares

Preferred shares, for which dividends are set, are considered as compound financial instruments according to the nature of a contractual agreement, accordingly the components of liability and equity are presented separately in the consolidated statement of financial position. Upon initial recognition, net book value of the component of the equity is identified after deduction of the fair value of the component of the liability from initial carrying value of the instrument. Upon initial recognition the fair value of the component of the liability is measured by discounting the expected future cash flows at the market rate on similar debt instrument. Subsequently the component of the liability is measured according to the same principles as the subordinated loan and the component of the equity is measured according to the same principles as share capital.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Borrowing costs

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

Borrowing costs also include exchange differences arising as a result of loans in foreign currency to the extent they are considered an adjustment of interest expenses. The amount of the exchange difference capitalized in the form of an adjustment of interest expenses does not exceed the amount of interest expenses, which the Group would have capitalized, had the loan been taken in local currency. Any excess of the exchange differences is charged to profit or loss.

Income received as a result of temporary investment of the received borrowings till their disbursement for acquisition of qualified assets is deducted from borrowing costs.

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

Recognition of revenue from electricity, heat, etc.

Revenue is determined at the fair value of the consideration received or receivable and represents amounts receivable for electricity and heat services provided in the normal course of business, net of discounts and Value Added Tax ("VAT").

Revenue from sales of electricity and heat is included into profit or loss at the moment of delivery to consumers. The basis for accrual of revenue on transmission and distribution of electricity and heat e and production of heat energy are tariffs approved by the Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Revenue from sales of goods is included into profit or loss, when goods are delivered and significant risk and rewards of ownership of the goods were transferred to the buyer.

Recognition of financial revenue and expenses

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss (FVTPL).

Once a financial asset or a group of similar financial assets have been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of commission income and expenses

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commissions are recognized when services are provided or received.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax recognized on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other claims and liabilities in transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. Deferred taxes are charged or credited in profit or loss, except when they relate to items charged or credited directly to other comprehensive income or equity.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities and deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

Employee benefits

Social tax

The Group pays social tax based on current Kazakhstan legislation. The Group's effective social tax rate during 2011 and 2010 was approximately 6% of employees' gross income. The social tax and payroll of personnel are expensed in the period as accrued.

The Group also withholds 10% form the salary of its employees as contributions to the cumulative pension funds but not more than 119,993 tenge per month in 2011 (2010: not more than 112,140 tenge per month). According to the legislation of the Republic of Kazakhstan, pension contributions are obligations of the employee, and the Group carries no current or future obligations on employee benefits after their retirement, except for payments provided for by the collective agreement.

Defined benefit pension plan

According to the collective agreement the Group pays certain benefits to its employees after the retirement ("Defined benefit pension plan"). According to this agreement the Group ensures the following main payments and benefits:

- one-time benefit upon retirement;
- one-time premium upon a jubilee.

Obligations and expenses on benefits according to the defined benefit pension plan are determined using the projected unit credit method. This method considers each worked year as increasing the right for a benefit by an additional unit and measures each unit separately for recognition of the final obligation. The expenses on benefits are recorded in profit or loss in order to distribute the final benefits during the service time of workers according to the benefit formula under the defined benefit pension plan. This obligation is measured at the current value of estimated future cash flows using the discount rate similar to the rate of return on state bonds, currency and terms on which are comparable with the currency and estimated terms of the obligation under the defined benefit pension plan.

The Group recognizes actuarial gains and losses arising from revaluation of employee benefit obligations in the period when they occurred within expenses on employee benefits.

Contingent liabilities

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of resources will be required to settle an obligation and a reliable estimate can be made. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Related party transactions

The following parties are deemed related parties in preparation of these consolidated financial statements:

A party is related to the Group if:

a) directly, or indirectly through one or more intermediaries, the party:
   i. controls, is controlled by, or is under common control with the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
   ii. has an interest in the Group that gives it significant influence over the Group; or
   iii. has joint control over the Group;
b) the party is an associate to the Group;
c) the party is a joint venture in which the Group is a venturer;
d) the party is a member of the key management personnel of the Group or its Parent;
e) the party is a close member of the family of any individual referred to in (a) or (d);
f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or which has significant voting power in the Group, directly or indirectly, any individual referred to in (d) or (e); or
g) the party holds a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES AND UNCERTAINTIES

The preparation of the consolidated financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

The following are the key assumptions regarding future and other key sources of uncertainties at the consolidated reporting date, which bear a significant risk of material adjustment in the carrying value of assets and liabilities in the next fiscal year.

Determination of fair value of property, plant and equipment

At each reporting date the Group assesses the change in the carrying value of the property, plant and equipment from the fair value of property, plant and equipment. In case of a significant change in the carrying amount of property, plant and equipment from the fair value the Group evaluates the fair value of property, plant and equipment using independent appraisers.

Property, plant and equipment held in trust management

The Group received property, plant and equipment for trust management from the state organizations, Finances Department of Pavlodar region and Finance Department of Pavlodar. The trust management agreement is considered a concession agreement, since the Government regulates the activity of the Group and controls property, plant and equipment in trust management. Property, plant and equipment received for trust management is not recorded in the consolidated statement of financial position of the Group and income from use of property, plant and equipment is determined at the fair value of the consideration received or receivable and represents the amounts receivable from the supply of heat energy, which are included in profit or loss at the moment of delivery to consumers. The expenses are recognized as incurred and reflected in profits or losses in the period to which they relate.

Useful lives of property and equipment

As discussed in Note 4, the Group reviews the useful lives of property, plant and equipment as at the end of each financial year. The evaluation of the useful life of an asset depends on such factors as economic use, repair and maintenance program, technological upgrades and other business conditions. Management's assessment of the useful lives of property, plant and equipment reflects the respective information available as at the date of these consolidated financial statements.

Impairment of non-current assets

At each reporting date the Group reviews if there are indicators of possible impairment of non-current assets. If there are such indicators or if the annual testing for impairment is required, the Group conducts the assessment of the recoverable amount. The recoverable amount of the asset represents the greater amount of the fair value of the asset or a generating unit less selling expenses and value in use and is determined for each asset except when an asset does not generate cash flows which to a great extent depend on cash inflows generated by other assets or groups of assets. If the carrying value of the asset exceeds the recoverable amount, then the asset is considered to be impaired and its value is decreased to the recoverable amount. In the evaluation of the value in use the estimated future cash flows are discounted to their current value using the effective pre-tax interest rate, which reflects the current market value of the time value of cash flows and risks inherent to the assets.

Provision for impairment of loans

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Ash disposal area and restoration liabilities

For production purposes the Group uses six ash disposal areas. At the end of the useful life, these ash disposal areas should be restored. In order to determine the amount of the liability on restoration of these ash disposal areas management of the Group is required to conduct the evaluation of future cost of restoration of ash disposal areas. The management evaluates liabilities on restoration of ash disposal areas at amortized cost using effective interest rate of 12%-14% which represents a market rate of financing for the Group.

Guarantee fees

JSC PAVLODARENERGO and JSC SEVKAZENERGO, the subsidiaries, reassess guarantee fees received from the customers for additional capacity, at each reporting date and adjusts it to recognize at fair value. For determining the present value of guarantee fees the subsidiaries evaluate the future expected cash outflows and a respective discount rate for present value calculation based on the best estimates of management. The guarantee fees received from the customers for additional capacity will be fully repaid by equal installments during 23-26 years and 16-25 years, respectively, starting from the 37th month after receipt of the guarantee fees. In addition, the present value of guarantee fees can be impacted by the future changes in the legislation and evaluation of the discount rate. The Group recorded fair value adjustment as deferred income with the period of amortization during 19-28 years.

Provisions

The Group accrues provision for doubtful debts. Significant judgments are used to estimate doubtful debts. Debt periods, historical and expected customer behavior are considered when identifying doubtful debts. Changes in economy or financial conditions may require adjustments to provision for doubtful debts in the consolidated financial statements.

Annually the Group considers the need of provision accrual for obsolete inventories based on annual stock taking and estimation on future use of obsolete stock.

Employee benefits

The defined benefit plan used by the Group is recorded according to requirements of IAS 19 Employee Benefits. Application of IAS 19 requires the use of estimates regarding various judgments including future annual increases in salary, demographics of the employer and pensioners and discount rates. The Group's assumptions under IAS 19, except other circumstances, are based on historical experience and recommendations of actuaries. The change in estimates can have an impact on profits or losses of the Group (Note 29).

Recognition of income from electricity sales

The Group recognizes revenue at the moment of delivery of electricity as per meters of the electricity consumers. The data from the meters are provided by consumers on a monthly basis and checked by the Group for accuracy on a sample basis. The Group recognizes revenue from electricity sold from the moment of the last metering to the end of the reporting period based on an estimate. As per this method, the daily volume of electricity consumed is determined according to the data of the previous month which is multiplied by the tariff.

(in thousand tenge)

6. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2010 and for the year then ended to conform to the form of presentation of the consolidated financial statements as at 31 December 2011 and for the year then ended, as the form of presentation of current year gives more precise representation about the financial position of the Group. These reclassifications did not impact the consolidated comprehensive income for the year ended 31 December 2010 and retained earnings as at 31 December 2010.

Consolidated statement of comprehensive income	As previously reported 2010	Reclassification amount	As reclassified 2010
COST	(45,123,775)	(362,809)	(45,486,584)
Electricity and heat production and other	(42,305,103)	(362,809)	(42,667,912)
GROSS PROFIT	19,429,190	(362,809)	19,066,381
General and administrative expenses	(7,897,180)	99,889	(7,797,291)
Selling expenses	(907,704)	364,563	(543,141)
Other income	1,047,647	(205,932)	841,715
Finance income	-	104,289	104,289

7. SEGMENT INFORMATION

The Group's segments are based on information and reports regularly reviewed by the shareholder to allocate financial funds, and also to assess their activities, and are represented by production and sale of electricity and heat and financial services. The Group allocates all administrative costs and interest costs, as well as profit tax according to these segments. Unallocated results include predominantly results associated with the leasing of property, plant and equipment. These operations are not reviewed regularly by management.

The Group tracks many profitability indices such as pre-tax profit, post-tax profit and gross profit. Despite this post-tax profit is an index used to allocate resources and assess segment activities.

Accounting policies in relation to reporting segments are the same as the Group's accounting policies referred to in Note 4.

	For the year ended 31 December 2011			
	Production of electricity and heat	Financial services	Unallocated results	Total
Key operating results				
Revenue	65,159,449	10,160,429	131,661	75,451,539
Cost of sales	(51,786,516)	(3,390,678)	(115,237)	(55,292,431)
General and administrative expenses	(3,930,945)	(2,761,894)	(263,156)	(6,955,995)
Selling expenses	(593,872)	-	-	(593,872)
Provision for loans to customers	-	(2,940,322)	-	(2,940,322)
Foreign exchange (loss)/gain	(83,625)	496,358	5,039	417,772
Finance income	24,650	159,310	287,750	471,710
Finance costs	(2,173,399)	-	(2,434,138)	(4,607,537)
Other income/(expenses)	482,165	(104,401)	15,592	393,356
Impairment loss on property, plant and equipment	(256,524)	-	(16,796)	(273,320)

(in thousand tenge)

Net income on operations with financial assets recorded at fair value through profit or loss	-	37,171	983,350	1,020,521
Profit/(loss) before income tax	6,841,383	1,655,973	(1,405,935)	7,091,421
Income tax expense	(1,925,731)	(80,776)	(67,644)	(2,074,151)
Profit/(loss) for the year from continuing activities	4,915,652	1,575,197	(1,473,579)	5,017,270
Discontinued activities	-	-	(469,258)	(469,258)
Profit/(loss) for the year	4,915,652	1,575,197	(1,942,837)	4,548,012
Other key information on segments				
Capital expenditures on property, plant and equipment	18,393,065	361,295	55,386	18,809,746
Depreciation of property, plant and equipment	2,966,977	107,385	153,079	3,227,441
Income from operations with other operating segments within the Group	1,155,549	81,123	480,285	1,716,957

	For the year ended 31 December 2010			
	Production of electricity and heat	**Financial services**	**Unallocated results**	**Total**
Key operating results				
Revenue	55,073,833	9,354,809	124,323	64,552,965
Cost of sales	(42,541,797)	(2,818,672)	(126,115)	(45,486,584)
General and administrative expenses	(5,028,831)	(2,520,022)	(248,438)	(7,797,291)
Selling expenses	(543,141)	-	-	(543,141)
Provision for loans to customers	-	(3,440,865)	-	(3,440,865)
Foreign exchange (loss)/gain	(75,332)	451,947	(7,679)	368,936
Finance income	13,606	-	90,683	104,289
Finance costs	(1,865,850)	-	(2,221,840)	(4,087,690)
Other income	537,734	281,347	22,634	841,715
Net profit on operations with financial assets recorded at fair value through profit or loss	-	134,122	49,385	183,507
Profit/(loss) before income tax	5,570,222	1,442,666	(2,317,047)	4,695,841
Income tax (expense)/benefit	(2,683,597)	(198,516)	11,738	(2,870,375)
Profit/(loss) for the year from continuing activities	2,886,625	1,244,150	(2,305,309)	1,825,466
Loss from discontinued activities	-	-	(396)	(396)
Profit/(loss) for the year	2,886,625	1,244,150	(2,305,705)	1,825,070
Other key information on segments				
Capital expenditures on property, plant and equipment	11,629,955	132,948	2,480	11,765,383
Depreciation of property, plant and equipment	2,806,945	115,930	128,693	3,051,568
Income from operations with other operating segments within the Group	2,221,255	134,039	936,763	3,292,057

Group's geographical information

The Group receives income from customers and clients mostly in Kazakhstan. Predominantly all of the Group's non-current assets are in Kazakhstan.

(in thousand tenge)

8. PROPERTY, PLANT AND EQUIPMENT

For the years ended 31 December, changes to property, plant and equipment are as follows:

	Land, buildings and construction	Machinery and production equipment	Vehicles	Others	Construction in progress	Total
Revalued cost						
As at 1 January 2010	20,455,381	38,175,211	1,165,130	418,444	3,664,183	63,878,349
Purchases	37,123	445,680	5,986	68,353	4,883,268	5,440,410
Transfers from inventories	-	7,527	-	1,774	6,315,672	6,324,973
Internal transfers	120,686	2,726,902	797	(4,857)	(2,843,528)	-
Disposals	(1,903,449)	(393,451)	(79,307)	(23,922)	(21)	(2,400,150)
Change in estimate on ash disposal area restoration	(5,178)	-	-	-	-	(5,178)
As at 31 December 2010	18,704,563	40,961,869	1,092,606	459,792	12,019,574	73,238,404
Revaluation	3,339,393	9,139,020	287,660	5,514	-	12,771,587
Business acquisition	1,273,350	106,813	126,096	128,238	-	1,634,497
Purchases	14,361	644,936	511,642	73,842	6,024,521	7,269,302
Transfers from inventories	-	487	-	575	11,797,587	11,798,649
Internal transfers	264,358	15,835,511	(13,011)	(57,511)	(16,029,347)	-
Disposals	(22,485)	(448,840)	(96,857)	(22,099)	(9,246)	(599,527)
Change in estimate on ash disposal area restoration	333,845	-	-	-	-	333,845
Elimination of accumulated depreciation	(2,823,678)	(7,732,961)	(349,961)	(79,097)	-	(10,985,697)
As at 31 December 2011	21,083,707	58,506,835	1,558,175	509,254	13,803,089	95,461,060
Accumulated depreciation						
As at 1 January 2010	(1,487,890)	(4,051,416)	(347,084)	(157,840)	143	(6,044,087)
Charge for the year	(741,542)	(2,119,902)	(140,629)	(49,495)	-	(3,051,568)
Disposals	11,946	142,682	45,518	12,821	-	212,967
As at 31 December 2010	(2,217,486)	(6,028,636)	(442,195)	(194,514)	143	(8,882,688)
Impairment loss	-	-	-	-	(452)	(452)
Business acquisition	(241,241)	(74,755)	(36,851)	(63,584)		(416,431)
Charge for the year	(790,046)	(2,238,303)	(134,910)	(64,182)	-	(3,227,441)
Internal transfers	(10,073)	(363)	13,011	(2,575)	-	-
Disposals	7,970	138,408	55,075	11,390	-	212,843
Elimination of accumulated depreciation	2,823,678	7,732,961	349,961	79,097	-	10,985,697
As at 31 December 2011	(427,198)	(470,688)	(195,909)	(234,368)	(309)	(1,328,472)
Carrying value						
As at 31 December 2011	20,656,509	58,036,147	1,362,266	274,886	13,802,780	94,132,588
As at 31 December 2010	16,487,077	34,933,233	650,411	265,278	12,019,717	64,355,716
As at 1 January 2010	18,967,491	34,123,795	818,046	260,604	3,664,326	57,834,262

(in thousand tenge)

The revaluation of property, plant and equipment of the Group was conducted by an independent appraiser at 31 December 2011. The fair value of property, plant and equipment at the stated date was determined in aggregate by the following generally used valuation approaches: market, income and cost approaches. Management believes that the results of the revaluation appropriately reflect the economic conditions of property, plant and equipment of the Group at that date.

As a result of the revaluation the Group recognized increase in the cost of property, plant and equipment of 13,044,907 thousand tenge, which was recognized in other comprehensive income, also the Group recognized impairment loss on property, plant and equipment of 273,320 thousand tenge, which was recognized in profit or loss.

The carrying value of each class of property, plant and equipment which would have been recognized in the consolidated financial statements had property, plant and equipment been recorded at cost less accumulated depreciation is presented as follows:

	Land, buildings and construction	Machines and production equipment	Vehicles	Others	Construction in progress	Total
As at 31 December 2011	13,868,970	42,703,878	756,383	263,637	13,802,780	71,395,648
As at 31 December 2010	6,458,641	17,547,701	354,998	233,205	12,019,574	36,614,119
As at 1 January 2010	9,885,335	17,427,267	320,172	242,272	3,664,326	31,539,372

For the years ended 31 December 2011 and 2010, the Group capitalized interest expenses and foreign exchange loss arising on loans in foreign currency, of 213,391 thousand tenge and 160,357 thousand tenge, respectively.

As at 31 December 2011 and 2010 and 1 January 2010 the carrying value of pledged property, plant and equipment amounted to 31,099,328 thousand tenge, 20,222,216 thousand tenge and 20,011,023 thousand tenge, respectively (Note 23).

Fully depreciated property, plant and equipment as at 31 December 2011 and 2010 and 1 January 2010 amounted to 422,451 thousand tenge, 506,456 thousand tenge and 442,532 thousand tenge, respectively.

9. GOODWILL

For the years ended 31 December 2011 and 2010 and 1 January 2010 changes to goodwill are as follows:

	31 December 2011	31 December 2010	1 January 2010
Value			
As at 1 January	2,451,859	2,451,859	2,451,871
Goodwill on investments acquired/(disposed) (Note 44)	1,415,786	-	(12)
Goodwill on restructured subsidiary	(27,440)	-	-
As at 31 December	3,840,205	2,451,859	2,451,859

(in thousand tenge)

Goodwill arose in the acquisition of Eurasian NPF JSC and Institute KazEnergoprom LLP because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Eurasian NPF JSC and Institute KazEnergoprom LLP. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The non-controlling interest recognised at the acquisition date was measured by reference to the fair value of assets and liabilities.

Goodwill on investments acquired	**ENPF JSC**	**Institute KazEnergoprom LLP**	**Total**
Consideration transferred	1,785,042	1,171,000	2,956,042
Plus: non-controlling interests	2,197,469	30,024	2,227,493
Less: fair value of identifiable net assets acquired	3,155,016	612,733	3,767,749
Goodwill	827,495	588,291	1,415,786

As at 31 December 2011 and 2010 and 1 January 2010 no impairment of goodwill were identified.

10. LOANS TO CUSTOMERS

As at 31 December 2011 and 2010 and 1 January 2010 loans to customers are as follows:

	31 December 2011	**31 December 2010**	**1 January 2010**
Loans to customers	79,560,442	75,345,812	59,650,396
Provision for loans to customers	(11,279,191)	(8,311,178)	(5,403,382)
	68,281,251	67,034,634	54,247,014
Long-term loans	31,485,546	27,755,572	29,677,995
Short-term loans	36,795,705	39,279,062	24,569,019
	68,281,251	67,034,634	54,247,014

(in thousand tenge)

For the years ended 31 December, movement in the provision for loans to customers is as follows:

	Loans to customers
As at 1 January 2010	5,403,382
Accrual of provision	3,440,865
Write off of previously recognized provision	(533,069)
As at 31 December 2010	8,311,178
Accrual of provision	2,940,322
Write off of previously recognized provision	27,691
As at 31 December 2011	11,279,191

The analysis of loans to customers by currency is as follows:

	31 December 2011	31 December 2010	1 January 2010
Tenge	64,169,773	63,513,516	48,705,405
USD	4,111,478	3,521,118	5,541,609
	68,281,251	67,034,634	54,247,014

11. OTHER NON-CURRENT ASSETS

As at 31 December 2011 and 2010 and 1 January 2010 other non-current assets are as follows:

	31 December 2011	31 December 2010	1 January 2010
Inventories intended for use in the production of property, plant and equipment	183,659	107,082	107,887
Accounts receivable from factoring transactions	73,404	108,638	143,873
Debtors on guarantees	-	289,645	291,530
Other long-term accounts receivable	6,004	-	-
	263,067	505,365	543,290
Provision for doubtful debts	(3,670)	(310,020)	(317,054)
	259,397	195,345	226,236

For the years ended 31 December, movement in provision for doubtful debts is as follows:

	2011	2010
As at 1 January	(310,020)	317,054
Write off of previously recognized provision	306,350	(7,034)
As at 31 December	(3,670)	310,020

(in thousand tenge)

As at 31 December 2011 and 2010 and 1 January 2010 other non-current assets were denominated in tenge.

12. INVENTORIES

As at 31 December 2011 and 2010 and 1 January 2010 inventories are as follows:

	31 December 2011	31 December 2010	1 January 2010
Raw materials	901,534	733,236	588,196
Spare parts	892,935	493,612	303,915
Fuel	418,323	228,282	311,815
Rolled metal and products	220,399	147,875	56,026
Construction materials	69,853	38,879	61,961
Measuring devices	33,442	31,704	25,494
Isolation materials	19,976	27,948	11,236
Specialised clothing	20,464	20,031	17,571
Others	150,580	355,540	217,373
	2,727,506	2,077,107	1,593,587
Provision for obsolete inventories	(78,719)	(60,027)	(48,482)
	2,648,787	2,017,080	1,545,105

For the years ended 31 December, movement in provision for obsolete inventories is as follows:

	2011	2010
As at 1 January	(60,027)	(48,482)
Accrual of the provision	(18,692)	(11,545)
As at 31 December	(78,719)	(60,027)

13. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2011 and 2010 and 1 January 2010, trade accounts receivable are as follows:

	31 December 2011	31 December 2010	1 January 2010
Sale and transfer of electricity and heat	9,089,575	7,634,841	6,722,829
Sale of inventories and other services	600,211	346,040	92,137
Lease	5,601	48,833	6,470
Others	46,673	46,622	42,403
	9,742,060	8,076,336	6,863,839
Provision for doubtful debts	(1,862,597)	(1,987,713)	(1,324,795)
	7,879,463	6,088,623	5,539,044

(in thousand tenge)

For the years ended 31 December, movement in provision for doubtful debts is as follows:

	2011	2010
As at 1 January	(1,987,713)	(1,324,795)
Recovery/(accrual) of provision	33,104	(1,086,411)
Write off of previously recognized provision	92,012	423,493
As at 31 December	(1,862,597)	(1,987,713)

The analysis of trade accounts receivable by currency is as follows:

	31 December 2011	31 December 2010	1 January 2010
Tenge	7,860,472	6,077,738	5,539,044
Russian Rubbles	18,991	10,885	-
	7,879,463	6,088,623	5,539,044

14. ADVANCES PAID

As at 31 December 2011 and 2010 and 1 January 2010 advances paid are as follows:

	31 December 2011	31 December 2010	1 January 2010
For purchase non-current assets	10,858,252	5,411,512	4,518,579
For purchase shares	3,104,280	2,701,820	3,131,820
For purchase services	685,424	1,144,015	903,264
For purchase goods	274,941	834,159	189,438
Others	25,850	43,832	3,972
	14,948,747	10,135,338	8,747,073
Provision for doubtful debts	(231,492)	(264,858)	(196,513)
	14,717,255	9,870,480	8,550,560
Non-current	10,858,252	7,411,512	6,518,579
Current	3,859,003	2,458,968	2,031,981
	14,717,255	9,870,480	8,550,560

For the years ended 31 December, movement on the provision for doubtful debts is as follows:

	2011	2010
As at 1 January	(264,858)	(196,513)
Recovery/(accrual) of provision	33,366	(68,345)
As at 31 December	(231,492)	(264,858)

(in thousand tenge)

In April 2011 the Company entered into option agreements to acquire common shares of Eurasian Accumulative Pension Fund JSC (now joint fund - Accumulative Pension Fund Astana JSC) of 49.75% of common shares. The term of the option is till 31 October 2012. As at December 31, 2011 under the option agreements the Company has made an advance payment of 3,104,280 thousand (2010: nil tenge).

In September 2011 the Company entered into preliminary agreements for the purchase of common shares Akmola REC JSC and paid an advance of 2,940,360 thousand (2010: nil tenge). This advance is reflected within advances for purchase non-current assets.

In 2009 the Company paid an advance to JSC Investment Technology of 831,820 thousand tenge and Stroiinservice LLP of 300,000 thousand tenge to purchase shares in JSC Eximbank Kazakhstan. The shares were planned to be purchased for resale. In 2010 JSC Investment Technology returned 430,000 thousand tenge, the remaining amount was returned in 2011.

On 12 August 2009 the Company also paid an advance to Centrstroienergo JSC of 2,000,000 thousand tenge to purchase shares in the Kaustik plant in the Pavlodar Oblast. The Company plans to complete the transaction on acquisition of common shares of Kaustik JSC in 2012.

15. TAXES RECEIVABLE AND PREPAID TAXES

As at 31 December 2011 and 2010 and 1 January 2010 taxes receivable and prepaid taxes are as follows:

	31 December 2011	31 December 2010	1 January 2010
VAT recoverable	776,667	254,943	32,885
Tax at the source of payment	180,844	110,991	24,488
Property tax	5,856	12,187	44,485
Others	12,758	6,227	9,398
	976,125	384,348	111,256

(in thousand tenge)

16. OTHER ACCOUNTS RECEIVABLE

As at 31 December 2011 and 2010 and 1 January 2010, other accounts receivable are as follows:

	31 December 2011	31 December 2010	1 January 2010
Interest-free loan	3,300,727	1,116,561	782,170
Accounts receivable from court proceedings and accrued fines	456,260	584,759	595,575
Accrued commission	273,049	99,951	55,786
Receivables from employees	107,980	68,669	63,308
Receivables from letters of credit	-	61,820	-
Notes receivable	100,000	-	-
Prepaid expenses	58,018	61,698	-
Other	552,642	534,956	245,522
	4,848,676	2,528,414	1,742,361
Adjustment of the interest-free loan to the fair value	(115,612)	(105,649)	(75,974)
Provision for doubtful debts	(130,133)	(172,816)	(148,779)
	(245,745)	(278,465)	(224,753)
	4,602,931	2,249,949	1,517,608

For the years ended 31 December, movement on the provision for doubtful debts is as follows:

	2011	2010
As at 1 January	(172,816)	(148,779)
Accrual of provision	(43,901)	(35,955)
Write off of previously recognized provision	86,584	11,918
As at 31 December	(130,133)	(172,816)

As at 31 December 2011 the interest-free loan included interest-free financial aid to Malgray Enterprises Limited of 4,000 thousand USD (or 593,600 thousand tenge) (as at 31 December 2010 and 1 January 2010: 737,000 thousand tenge and nil, respectively), given in accordance with decision of shareholders. The Group recorded the interest-free loan at its amortized cost using the effective interest rate of 12.9%. In 2011 the loan was prolonged till 1 November 2012. As a result, in 2011 the Group recognised an adjustment to fair value of 64,636 thousand tenge less deferred tax of 12,927 thousand tenge in equity (2010: 90,987 thousand tenge less deferred tax of 18,197 thousand tenge). For the year ended 31 December 2011 the Group recognised interest income of 80,079 thousand tenge (2010: 90,683 thousand tenge) (Note 40).

During 2011 the Company provided interest-free financial aid to the Company's ultimate shareholders of 2,456,100 thousand tenge (2010: 250,446 thousand tenge), maturing on 31 January 2012, and received return of part of financial aid of 1,280,342 thousand tenge (2010: nil). The Company recorded the interest-free aid at its amortized cost using the effective interest rate of 12.5% and recognized adjustment in equity of 129,436 thousand tenge less deferred tax of 25,888 thousand tenge (29,371 thousand tenge and 5,874 thousand tenge, respectively). For the year ended 31 December 2011 the Group recognised interest income of 144,932 thousand tenge (2010: nil tenge) (Note 40).

(in thousand tenge)

In 2011 the Company provided interest-free financial aid to Kaustik JSC of 1,122,000 thousand tenge for the purpose of development of chemical project. The Company recognized adjustment in equity of 103,843 thousand tenge less deferred tax of 20,769 thousand tenge. For the year ended 31 December 2011 the Group recognised interest income of 62,739 thousand tenge (2010: nil tenge) (Note 40).

As at 31 December 2011 the interest-free loan included a loan of 127,853 thousand tenge, issued to Aksar-Pavlodar LLP, which is not a related party of the Group (as at 31 December 2010 and 1 January 2010: 129,115 thousand tenge and nil, respectively). The loan was granted in order to assist in the development of the social sphere of the Pavlodar region. As at the date of approval of the consolidated financial statements the interest-free loan was fully repaid.

As at 31 December 2011 and 2010 and 1 January 2010 accrued commission receivable was 15% of investment income on the pension assets of Astana Accumulative Pension Fund JSC and 0.05% of pension assets per month, which is determined as the lesser of the purchase or market value.

As at 31 December 2011 and 2010 and 1 January 2010 accrued fines of 456,260 thousand tenge, 584,759 thousand tenge and 595,575 thousand tenge, respectively, represented fines to legal entities and individuals for their late execution of the conditions of contracts to supply materials, construction work and purchase heat and electricity.

As at 31 December 2011 notes receivable is included within other accounts receivables, which passed to the Company in connection with the acquisition of Institute KazEnergoprom LLP. As at the date of the report notes receivable of 100,000 thousand tenge is repaid.

As at 31 December 2011 and 2010 and 1 January 2010 other accounts receivable are denominated in tenge.

17. OTHER FINANCIAL ASSETS

As at 31 December 2011 and 2010 and 1 January 2010, other financial assets are as follows:

	31 December 2011	31 December 2010	1 January 2010
Financial assets available for sale (a)	4,279,581	9,116,825	7,668,354
Financial assets recorded at fair value through profit and loss (b)	1,438,283	2,556,517	2,535,374
Other financial assets (c)	169,077	158,945	-
	5,886,941	11,832,287	10,203,728

As at 31 December 2011 and 2010 and 1 January 2010 other financial assets consisted of the following:

	31 December 2011	31 December 2010	1 January 2010
Short-term financial assets	1,607,360	10,760,457	9,065,910
Long-term financial assets	4,279,581	1,071,830	1,137,818
	5,886,941	11,832,287	10,203,728

(in thousand tenge)

	31 December 2011	31 December 2010	1 January 2010
(a) Financial assets available for sale			
Shares	26,152	8,044,995	6,530,536
Debt securities	4,253,429	1,071,830	1,137,818
	4,279,581	9,116,825	7,668,354

	Nominal interest rate %	31 December 2011	31 December 2010	1 January 2010
Debt securities:				
Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.30-8.70	1,776,713	766,670	971,870
Notes of National Bank of Republic of Kazakhstan	4.30	498,873	204,655	-
Bonds of Kazakhstan issuers	7.90-12.00	1,977,843	100,505	165,948
		4,253,429	1,071,830	1,137,818

	31 December 2011	31 December 2010	1 January 2010
(b) Financial assets recorded at fair value through profit and loss			
Shares	312,889	1,560,994	1,902,277
Debt securities	1,125,394	995,523	633,097
	1,438,283	2,556,517	2,535,374

As at 31 December 2011 and 2010 and 1 January 2010 shares are presented as follows:

	Share %	31 December 2011	31 December 2010	1 January 2010
Equity securities:				
JSC "Kazakhmys"	2.00	215,722	-	-
OJSC "Sberbank of Russian"	0.55	97,167	-	-
Preferred shares JSC "Eximbank Kazakhstan"	-	-	1,400,792	1,494,345
JSC "Vympelcom"	0.29	-	83,514	51,182
POSCO	0.08	-	45,080	-
Apple inc.	0.007	-	31,608	-
JSC "URANIUM ONE Inc"	0.03	-	-	77,124
JSC "Uralkaliy"	0.0056	-	-	75,136
JSC "Novolipeckiy metallurgic plant"	0.0027	-	-	74,661
JSC "Integra"	0.088	-	-	70,548
JSC "Severstal"	0.0031	-	-	43,887
JSC "Kazakhtelecom"	0.0076	-	-	15,394
		312,889	1,560,994	1,902,277

(in thousand tenge)

	Nominal interest rate %	31 December 2011	31 December 2010	1 January 2010
Debt securities:				
Bonds of Kazakhstan companies	7.2-9.20	1,125,394	995,491	40,758
Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.50-7.80	-	32	592,339
		1,125,394	995,523	633,097

(c) Other financial assets

As at 31 December 2011 other financial assets represented deposits of 169,077 thousand tenge kept in Tsesna Bank JSC (2010: 158,945 thousand tenge).

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

	31 December 2011	31 December 2010	1 January 2010
Tenge	4,428,526	11,672,085	9,811,190
USD	1,043,512	160,202	392,538
Ruble	414,903	-	-
	5,886,941	11,832,287	10,203,728

18. CASH AND CASH EQUIVALENTS

As at 31 December 2011 and 2010 and 1 January 2010 cash and cash equivalents are as follows:

	31 December 2011	31 December 2010	1 January 2010
Cash in the National Bank of the Republic of Kazakhstan	11,356,410	12,961,272	7,540,411
Cash in banks	2,791,112	1,562,109	517,560
Petty cash	515,975	338,052	264,715
Cash in broker accounts	13,241	9,548	3,509
Cash in transit	17,178	-	-
	14,693,916	14,870,981	8,326,195

(in thousand tenge)

The analysis of cash and cash equivalents by currency is as follows:

	31 December 2011	31 December 2010	1 January 2010
Tenge	12,236,870	13,571,764	7,881,630
USD	2,430,771	1,273,606	285,762
Euro	11,685	20,795	53,762
Others	14,590	4,816	105,041
	14,693,916	14,870,981	8,326,195

19. ASSETS CLASSIFIED AS HELD FOR SALE

In 2011 the Group sold 100% share in the subsidiary Sherfield Limited. Loss from discontinued operations is recorded in profit or loss (Note 43).

The main classes of assets and liabilities from operating activities, classified as held for sale in the consolidated statement of financial position as at 31 December 2010 and 1 January 2010, are as follows:

	31 December 2010	1 January 2010
Other accounts receivable	222,968	225,459
Cash and cash equivalents	1,725	1,739
Taxes receivable and prepaid taxes	-	42
Assets classified as held for sale	224,693	227,240
Advances received	4,945	4,982
Other liabilities and accrued expenses	613	1,200
Taxes and non-budgetary payments to be made	49	49
Liabilities directly attributable to assets classified as held for sale	5,607	6,231

20. SHARE CAPITAL

As at 31 December 2011 and 2010 and 1 January 2010 share capital is as follows:

	31 December 2011		31 December 2010		1 January 2010	
	share	thousand tenge	share	thousand tenge	share	thousand tenge
E. A. Amirkhanov	30.99%	5,666,349	33.33%	5,666,349	33.33%	5,161,528
S. V. Kan	30.99%	5,666,349	33.33%	5,666,349	33.33%	5,161,528
A. Ya. Klebanov	30.99%	5,666,349	33.34%	5,666,349	33.34%	5,161,529
G. D. Artambayeva	7.03%	23,300	-	-	-	-
	100%	17,022,347	100%	16,999,047	100%	15,484,585

(in thousand tenge)

On 1 August 2011 according to the decision of the Board of Directors the Company placed 2,330,000 common shares in favor of the Company's President Artambayeva G.D. at par value as a bonus reward.

In 2010 Company shareholders contributed common shares of OIPAIM Zhetysu JSC of 1,514,462 thousand tenge.

In 2011 CAEPCO JSC, the subsidiary, declared and paid dividends of 299,015 thousand tenge.

21. NON-CONTROLLING INTERESTS

As at 31 December 2011 and 2010 and 1 January 2010 the non-controlling interests are as follows:

	31 December 2011	31 December 2010	1 January 2010
JSC CAEPCO	28,792,480	15,202,140	14,691,513
JSC Eximbank Kazakhstan	3,620,222	3,489,084	3,352,104
JSC Amanat Kazakhstan Pension Fund	1,829,863	(160)	(160)
LLP Institute KazEnergoprom	30,024	-	-
JSC PAVLODARENERGO	-	-	475,667
	34,272,589	18,691,064	18,519,124

22. BONDS ISSUED

As at 31 December 2011 and 2010 and 1 January 2010 bonds issued are as follows:

Bonds	Maturity date	Interest rate %	31 December 2011	31 December 2010	1 January 2010
Bonds issued	December 2018	12.5%	16,994,418	17,099,006	18,010,596
Bonds issued	November 2013	9%	10,000,000	10,000,000	10,000,000
Bonds issued	July 2017	9.8%-13%	7,901,620	7,901,620	7,901,720
Bonds issued	June 2012	9%	7,225,050	7,225,050	7,225,050
Bonds issued	July 2015	9%	2,834,720	2,534,720	-
Bonds issued	October 2020	12.5%	3,819,990	1,999,990	-
Bonds issued	December 2011	9%	-	1,980,700	1,977,870
Premium			146,410	85,617	-
Accrued interest on bonds issued			985,308	900,412	760,608
Discount on bonds issued			(1,403,982)	(2,016,610)	(1,952,299)
Repurchase of bonds issued			(5,104,222)	(4,992,290)	(4,372,620)
			43,399,312	42,718,215	39,550,925

(in thousand tenge)

Bonds issued mature as follows:

	31 December 2011	31 December 2010	1 January 2010
Within one year	6,055,903	2,539,267	2,392,172
Within two and five years inclusive	10,970,918	15,946,217	14,983,788
Within five years and above	26,372,491	24,232,731	22,174,965
	43,399,312	42,718,215	39,550,925

23. LOANS

As at 31 December 2011 and 2010 and 1 January 2010 loans are as follows:

	Interest rate	Currency	31 December 2011	31 December 2010	1 January 2010
JSC SB Sberbank (a)	10%-12%	Tenge	12,348,698	7,500,990	7,467,118
JSC European Bank of Reconstruction and Development (b)	Libor + 3%	USD	3,885,227	4,471,780	4,503,584
JSC European Bank of Reconstruction and Development (c)	KIBOR + 4.5%	Tenge	2,231,154	-	-
Clean Technology Fund (d)	0.75%	USD	370,100	-	-
JSC Development Bank of Kazakhstan (e)	12.5%	Tenge	1,831,158	1,930,562	-
JSC Halyk Bank of Kazakhstan (f)	12.5%	Tenge	300,313	300,104	300,000
Loans under REPO agreements	-	Tenge	-	-	532,012
World Bank	4.84%	USD	-	-	5,616
			20,966,650	14,203,436	12,808,330
Commission of opening a credit line			(45,074)	(31,742)	(36,276)
Fair value adjustment			(241,994)	-	-
			20,679,582	14,171,694	12,772,054

(a) On 27 June 2008 the Group opened a credit line with JSC SB Sberbank Russia for the total of 2,414,800 thousand tenge with maturity on 27 June 2014 and at interest rate of 11% per annum. On 28 December 2011 the Group concluded an additional agreement whereby the interest rate was reduced to 10% per annum. Interest on the loan is payable monthly.

On 1 October 2008 the Group concluded agreement #01/10 on opening of a revolving credit line with JSC SB Sberbank totaling 6,111,839 thousand tenge, with maturity in 2015. The principal on loan is repaid quarterly, starting from 2012. Interest on the loan is paid on a quarterly basis. The loan was received based on the decision of the shareholders for refinancing the debt of JSC CAPEC. As at 31 December 2011, the credit limit comprises 4,703,641 thousand tenge (31 December and 1 January 2010: 4,900,000 thousand tenge and 6,111,839 thousand tenge, respectively). In 2011 the interest rate was reduced from 11% to 10% per annum from the amount of the loan (2010: from 12% to 11%).

On 25 June 2010 the Group opened a credit line with JSC SB Sberbank Russia for the total of 500,000 thousand tenge with maturity on 25 June 2013. Interest on the loans is payable on a monthly basis. The interest rate on the loan is 12% per annum.

As at 31 December 2011 the Group also has a credit line of JSC SB Sberbank Russia in the total amount of 948.758 thousand tenge at an interest rate of 11.5% per annum with an equal monthly repayment of principal and interest, starting from 25 December 2010, and maturity till 1 December 2015.

On 5 September 2011 the Company entered into a credit line agreement with the JSC SB Sberbank Russia with a financing limit of 4,380,000 thousand tenge, for the purpose to acquire common shares of JSC Akmola REC. Interest rate is 10%. The loan is repayable by monthly installments starting from October 2012 and the maturity till 5 September 2018. Interest is paid monthly.

(b) On 29 November 2007 the Group concluded an agreement with European Bank of Reconstruction and Development for a loan totaling 30,000,000 USD with maturity in 2017. The loan is repaid by annual payments, starting from 2011. Interest on the loan is paid semi-annually according to the schedule. For the years ended 31 December 2011 and 2010 and 1 January 2010 the effective interest rate was 3.62%.

(c) On 26 March 2011 the Group and EBRD signed a loan agreement, which will focus on reconstruction and modernization of district heating networks in Pavlodar and Petropavlovsk cities of 5,915,280 thousand tenge. Funding will be provided as follows: 4,440,000 thousand tenge – in two tranches from the common resources of EBRD, and the amount of 10,000,000 US dollars - from the resources of Clean Technology Fund (CTF). Interest rates are KIBOR +4.5% and 0.75%, respectively. The loan is settled by 20 equal semi-annual installments starting from April 2014. Interest is paid in quarterly installments. As at 31 December 2011 the tranche of 2,220,000 thousand tenge was received from EBRD and the tranche of 2,500,000 US dollars or 370,100 thousand tenge was received from CTF. In 2011, the effective interest rate amounted to 7.52%. The subsidiary recorded CTF loan at amortized cost, using effective interest rate of 4.3% and as a result recognized fair value adjustment of this loan of 241,994 thousand tenge in deferred revenue (Note 34).

(d) On 19 August 2010 the Company concluded agreements with JSC Development Bank of Kazakhstan, JSC Eximbank Kazakhstan (subsidiary) and Kaustik JSC (a related party). In accordance with the terms of the general agreement and separate sale and purchase agreements Development Bank of Kazakhstan bought coupon bonds issued by the Company of 1,932,504 thousand tenge with the obligation of repurchase of the bonds by the Company on 2 December 2011 of 1,799,563 thousand tenge. Proceeds received by the Company from Development Bank of Kazakhstan were placed as deposits in JSC Eximbank Kazakhstan, and JSC Eximbank Kazakhstan, in its turn, provided cash as loan to Kaustik JSC maturing on 2 December 2011. On 1 December 2011 the agreement was prolonged till 31 January 2012, as at date of the report issuance the liabilities were fully repaid.

(e) On 23 June 2009 the Group opened a credit line with JSC Halyk Bank Kazakhstan totaling 300,000 thousand tenge with maturity on 23 April 2010. In June 2010 an additional agreement was concluded on extension of the credit line until 23 June 2012. Interest on the loan is payable on a monthly basis.

As at 31 December 2011 and 2010 and 1 January 2010 property, plant and equipment with a net book value of 31,099,328 thousand tenge, 20,222,216 thousand tenge and 20,011,023 thousand tenge (Note 8).

(in thousand tenge)

Loans mature in the following way:

	31 December 2011	31 December 2010	1 January 2010
Within one year	8,005,930	7,193,182	3,954,166
Within two and five years inclusive	10,871,454	6,346,797	5,164,162
More than five years	1,802,198	631,715	3,653,726
	20,679,582	14,171,694	12,772,054

24. INCOME TAX

The Group's income tax expense for the years ended 31 December is as follows:

	2011	2010
Current income tax	285,617	697,809
Deferred income tax	1,788,534	2,172,566
Total	2,074,151	2,870,375

As at 31 December 2011 and 2010 and 1 January 2010 deferred tax assets and liabilities are as follows:

Deferred tax assets as a result of:	31 December 2011	31 December 2010	1 January 2010
Losses carried forward	748,884	156,500	110,345
Provision for doubtful debts	158,867	156,052	81,669
Taxes payable	46,929	57,412	33,083
Ash dump restoration liabilities	89,803	41,410	19,472
Provision for unused vacation	60,644	35,477	24,136
Adjustments to the interest-free loan	23,140	21,089	15,195
Provision for obsolete of inventories	15,744	7,340	9,638
Other temporary differences	52,577	37,224	18,522
Total deferred tax assets	1,196,588	512,504	312,060
Deferred tax liabilities as a result of:			
Carrying value of property, plant and equipment	(14,513,047)	(9,402,108)	(6,540,213)
Other temporary differences	(54,419)	(40,412)	(47,032)
Total deferred tax liabilities	(14,567,466)	(9,442,520)	(6,587,245)
Deferred tax liabilities, net	(13,370,878)	(8,930,016)	(6,275,185)
including:			
Deferred tax assets	94,730	120,344	50,852
Deferred tax liabilities	(13,465,608)	(9,050,360)	(6,326,037)

(in thousand tenge)

Unrecognised deferred tax assets and liabilities:	**31 December 2011**	**31 December 2010**	**1 January 2010**
Losses carried forward	1,162,129	785,043	556,129
Provision for doubtful debts	-	34,609	9,780
Interest expenses on guarantee payments for additional capacity	-	-	20,104
Other temporary differences	-	480	3,221
	1,162,129	820,132	589,234
Carrying value of property, plant and equipment	-	(3,860)	(20,843)
Interest income on guarantee payments for additional capacity	-	-	(26,943)
	-	(3,860)	(47,786)
Deferred tax assets, net	1,162,129	816,272	541,448

Movements on deferred taxes for the years ended 31 December are as follows:

	2011	**2010**
As at 1 January	(8,930,016)	(6,275,185)
Recognized in:		
profit or loss	(1,788,534)	(2,172,566)
other comprehensive income	(2,608,980)	(495,325)
equity	59,584	13,060
Business combination (Note 44)	(102,932)	-
As at 31 December	(13,370,878)	(8,930,016)

The income tax expense for the years ended 31 December is reconciled to pre-tax profit in the consolidated statement of comprehensive income as follows:

	2011	**2010**
Tax rate	**20%**	**20%**
Profit before income tax from:		
Continuing operations	7,091,421	4,695,841
Discontinued operations	(469,258)	(396)
	6,622,163	4,695,445
Tax at the established tax rate	1,324,432	939,089
Change in tax rate	-	994,617
Tax effect of permanent differences	303,518	752,005
Change in unrecognised tax assets	345,857	274,824
Unused tax losses of previous years, recognized as deferred tax assets in the reporting year	111,707	(21,750)
Adjustment to corporate income tax for previous years	(11,363)	(68,410)
Income tax expense	2,074,151	2,870,375

(in thousand tenge)

25. CUSTOMER ACCOUNTS

As at 31 December 2011 and 2010 and 1 January 2010 customer accounts are as follows:

	31 December 2011	31 December 2010	1 January 2010
Demand deposits	17,234,310	16,569,248	1,429,961
Collateral deposits	8,183,737	8,642,248	11,401,703
Short-term deposits	8,866,593	7,761,116	2,048,575
Long-term deposits	3,196,733	6,409,433	4,057,309
Deposits of banks and other finance institutes	1,028,250	1,034,585	-
Guarantee deposits	17,493	-	151,499
	38,527,116	40,416,630	19,089,047
Within one year	38,152,594	33,555,352	6,524,240
Within two to five years inclusive	24,872	6,861,278	12,564,807
Over five years	349,650	-	-
	38,527,116	40,416,630	19,089,047

An analysis of customer accounts per currency is as follows:

	31 December 2011	31 December 2010	1 January 2010
Tenge	31,607,069	36,313,533	13,045,061
USD	6,914,041	4,090,678	5,502,523
Euro	3,249	3,987	435,169
Other	2,757	8,432	106,294
	38,527,116	40,416,630	19,089,047

26. SUBORDINATED DEBT

As at 31 December 2011 and 2010 and 1 January 2010 subordinated debt is as follows:

	31 December 2011	31 December 2010	1 January 2010
Present value of guaranteed dividends on preference shares	1,800,856	1,800,196	1,818,128
Accrued dividends on preference shares (Note 33)	198,100	198,027	198,028
	1,998,956	1,998,223	2,016,156

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

(in thousand tenge)

27. LONG-TERM ACCOUNTS PAYABLE

As at 31 December 2011 and 2010 and 1 January 2010 long-term accounts payable are as follows:

	31 December 2011	31 December 2010	1 January 2010
Guarantee payment for additional capacity	380,705	389,958	393,768
Discount on guarantee payments for additional capacity	(253,673)	(266,394)	(281,454)
Current portion of guarantee payments for additional capacity	(20,009)	(11,195)	(3,195)
	107,023	112,369	109,119

The Group received cash of 556,032 thousand tenge from customers as guarantee fees for additional capacity. As per decree of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004 the Group has to repay received cash during 16-25 years, starting from the 37th month after the receipt of the guarantee fees. The Group records these liabilities at amortized cost using effective interest rate of 12.5%-14.4%. As at 31 December 2011 the Group recognized fair value adjustment of 249,809 thousand tenge (31 December 2010 and 1 January 2010: 262,238 thousand tenge and 278,517 thousand tenge, respectively) as deferred income with amortization period during 19-28 years (Note 34).

As a result of a change in 2008 in payment for one unit of additional capacity for electricity from 54,900 tenge to 26,273 tenge, the Group reclassified part of received guarantee fees amount to be reimbursed as other accounts payable. As at 31 December 2011 the liability on return of the guarantee fees for additional capacity amounted to 36,816 thousand tenge (31 December 2010 and 1 January 2008: 72,288 thousand tenge and 106,269 thousand tenge, respectively), which is recorded within other liabilities (Note 33).

The amortization of the discount for the years ended 31 December 2011 and 2010 was recognized within finance costs of 10,103 thousand tenge and 9,887 thousand tenge, respectively (Note 41).

28. ASH DUMP RESTORATION LIABILITIES

For production purposes the Group uses six ash disposal areas. At the end of the useful life these ash disposal areas should be restored. As at 31 December 2011 and 2010 and 1 January 2010 the Group evaluated the total ash disposal area restoration liability at amortized cost of 441,464 thousand tenge, 207,051 thousand tenge and 128,685 thousand tenge, respectively. This liability was discounted at effective interest rate of 12%-14%, which represents a market financing rate for the Group.

(in thousand tenge)

As at 31 December 2011 and 2010 and 1 January 2010 ash dump restoration liabilities were presented as follows:

	2011	2010	2009
At 1 January	207,051	128,685	194,167
Finance cost (Note 41)	65,685	18,913	15,652
Restored during the year	(165,117)	(13,685)	(11,080)
Change in estimate (Notes 8 and 41)	333,845	73,138	(70,054)
At 31 December	441,464	207,051	128,685
Current portion	150,111	20,661	11,080
Long-term portion	291,353	186,390	117,605
	441,464	207,051	128,685

29. EMPLOYEE BENEFIT OBLIGATIONS

As at 31 December 2011 and 2010 and 1 January 2010, the Group concluded collective agreements with the labor union of JSC PAVLODARENERGO (including its subsidiaries) and JSC SEVKAZENERGO (including its subsidiaries).

As at 31 December 2011 and 2010 and 1 January 2010, the total employee benefit obligation of the Group comprised:

	31 December 2011	31 December 2010	1 January 2010
Liability that matures during the year	7,954	6,910	5,773
Liability that matures after one year	72,654	68,367	62,571
	80,608	75,277	68,344

Below is the reconciliation of the current amount of employee benefit obligations for the years ended 31 December:

	31 December 2011	31 December 2010
Total liabilities at the beginning of the year	75,277	68,344
Current service costs	8,332	7,831
Interest cost	5,924	4,872
Payments	(11,290)	(11,205)
Actuarial loss	2,365	5,435
Total liabilities at the end of the year	80,608	75,277

The current service cost, interest cost and actuarial loss were recognized in other expenses of cost of sales and general and administrative expenses of 8,565 thousand tenge and 8,056 thousand tenge, respectively (2010: 5,996 thousand tenge and 12,142 thousand tenge, respectively).

(in thousand tenge)

The calculations of the obligations of the Group were prepared on the basis of published statistical data on the level of mortality, and actual data on the number, age, sex and length of service of employees and pensioners of the Group, and statistics on changes in the quantity of personnel. Other main assumptions at the reporting date are presented below:

	2011	2010
Discount rate	7.87%	7.87%
Expected annual growth of the minimum computation index	7.00%	7.00%
Expected annual growth of the minimum salary in the future	9.00%	9-10%

30. TRADE ACCOUNTS PAYABLE

As at 31 December 2011 and 2010 and 1 January 2010 trade accounts payable are as follows:

	31 December 2011	31 December 2010	1 January 2010
For electricity and heat	4,143,971	3,114,878	3,415,301
For work and services provided	914,591	529,494	582,891
For goods purchased	782,134	584,964	387,210
For property, plant and equipment, repair and construction services	344,931	240,037	99,782
	226,738	-	-
Others	35,767	21,356	9,836
	6,448,132	4,490,729	4,495,020

An analysis of trade accounts payable per currency is as follows:

	31 December 2011	31 December 2010	1 January 2010
Tenge	6,304,152	4,448,186	4,495,020
USD	-	39,912	-
Other	143,980	2,631	-
	6,448,132	4,490,729	4,495,020

31. ADVANCES RECEIVED

As at 31 December 2011 and 2010 and 1 January 2010 advances received of 2,102,853 thousand tenge, 1,674,692 thousand tenge and 1,351,699 thousand tenge predominantly included advances received for electricity and heat and other services.

(in thousand tenge)

32. TAXES PAYABLE AND NON-BUDGETARY PAYMENTS

As at 31 December 2011 and 2010 and 1 January 2010 taxes and non-budgetary payments are as follows:

	31 December 2011	31 December 2010	1 January 2010
VAT	226,877	175,222	280,972
Environmental protection tax	169,758	165,690	126,119
Individual income tax	85,702	65,174	43,354
Withholding Tax	69,271	64,713	-
Social tax	28,995	29,828	20,370
Penalties	-	-	67,295
Others	55,700	20,489	59,255
	636,303	521,116	597,365

33. OTHER LIABILITIES AND ACCRUED EXPENSES

As at 31 December 2011 and 2010 and 1 January 2010 other liabilities and accrued expenses are as follows:

	31 December 2011	31 December 2010	1 January 2010
Share debt	1,171,000	-	-
Provisions for unused vacation	262,126	200,529	189,346
Debt to employees	212,024	264,243	255,903
Accrued dividends on preference shares (Note 26)	198,100	198,027	198,028
Fines	113,478	118,277	9,183
Pension contributions	89,525	78,749	76,971
Prepaid commission for guarantees issued	48,520	66,328	27,070
Guarantee payments (Note 27)	36,816	72,288	106,269
Current portion of guarantee payments (Note 27)	20,009	11,195	3,195
Accrued expenses	5,400	19,996	6,694
Insurance liabilities	2,016	10,639	9,191
Provision for the impairment of contingent liabilities	91	96,593	46,110
Debt on documentary calculations	-	-	190,119
Others	80,745	272,194	47,463
	2,239,850	1,409,058	1,162,347

On 1 December 2011 the Company entered into an agreement to buy 95.1% share in Institute KazEnergoprom LLP, which in turn owns 100% of Institute KazNIPIEnergoprom JSC. As at 31 December payable on this contract amounted to 1,171,000 thousand tenge.

(in thousand tenge)

On 30 June 2010 the Group shareholders provided interest free financial aid of 2,000,000 thousand tenge, which was repaid by the Company on 27 December 2010. The Company recognised an interest-free loan at amortized cost with effective interest rate of 12.5%. During 2010 the Company recorded in its consolidated statement of changes in equity the fair value adjustment on this loan amounting to 55,057 thousand tenge and the deferred tax effect of 11,011 thousand tenge. In 2010 the Company also recognised interest expense of 55,057 thousand tenge (Note 41).

As at 31 December 2011 and 2010 and 1 January 2010 other liabilities and accrued expenses were denominated in tenge.

34. DEFERRED REVENUE

As at 31 December 2011 and 2010 and 1 January 2010, deferred revenue of 491,803 thousand tenge, 262,238 thousand tenge and 278,517 thousand tenge, respectively, represents:

(a) an adjustment of guarantee fees for additional capacity of 249,809 thousand tenge, 262,238 thousand tenge and 278,517 thousand tenge, respectively, decreased by accrued interest income for 2011 of 10,029 thousand tenge (2010: 13,606 thousand tenge) (Notes 27 and 40) and effect of change in estimate in 2011 and 2010 of 2,400 thousand tenge and 2,673 thousand tenge, respectively.

(b) fair value adjustment of loan from CTF for the amount of 241,994 thousand tenge , nil, and nil, respectively (Note 23).

35. REVENUE

Revenue for the years ended 31 December is as follows:

	2011	**2010**
Electricity and heat production and other		
Sale of electricity	40,797,378	33,049,491
Sale of heat	13,310,578	12,428,069
Electricity transmission	7,035,896	6,008,770
Heat transmission	3,826,330	3,400,639
Others	320,928	311,187
	65,291,110	55,198,156
Financial services		
Interest on loans and advance provided to customers	8,170,149	8,070,115
Income from services and commission	1,987,895	1,138,231
Interest on securities held for sale	1,515	78,806
Interest on loans and advances provided to banks	870	60,680
Others	-	6,977
	10,160,429	9,354,809
	75,451,539	64,552,965

(in thousand tenge)

36. COST OF SALES

The cost of sales for the years ended 31 December is as follows:

	2011	2010
Production of electricity and heat and other		
Electricity and heat purchased for sale	24,826,077	18,785,792
Fuel	10,040,947	8,456,188
Payroll expenses and related taxes	4,807,011	4,241,273
Services received	4,213,868	3,907,027
Inventories	3,391,881	2,814,748
Depreciation and amortisation	2,921,046	2,751,923
Transmission of electricity and heat, acquired for resale	320,497	394,623
Others	1,380,426	1,316,338
	51,901,753	42,667,912
Financial services		
Interest on bonds issued	1,862,095	1,875,885
Interest on customer accounts	1,217,972	677,311
Interest on preference shares	198,100	198,027
Interest on bank loans	103,750	59,287
Expenses on services and commission	8,761	7,978
Interest on credit from other organisations	-	184
	3,390,678	2,818,672
	55,292,431	45,486,584

37. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December are as follows:

	2011	2010
Payroll expenses and related taxes	3,322,461	2,826,444
Taxes, except for income tax	792,374	672,465
Depreciation and amortisation	280,522	264,086
Transportation services	238,228	191,419
Security expenses	228,383	235,224
Lease and technical maintenance	195,100	135,550
Inventories	139,765	151,325
Communications expenses	132,256	221,287
Expenses on customer stations	130,593	209,168
Legal and audit services	122,852	69,153
Bank commission	110,215	83,577
Consulting services	103,749	326,074
VAT on heat and electricity losses	99,986	122,738
Business trip expenses	86,238	101,679
Sponsorship and financial aid	66,484	110,878
Fines and penalties	48,684	7,668
Professional contributions	33,153	64,813
Insurance	18,962	17,917
Accrual of the provision for the obsolete of inventories (Note 12)	18,692	11,545
Provision for unused vacations	8,539	11,183
Repair of property, plant and equipment	1,175	1,881
Accrual of provision for doubtful debts (Notes 13, 14 and 16)	(32,851)	1,190,711
Others	810,435	770,506
	6,955,995	7,797,291

(in thousand tenge)

38. SELLING EXPENSES

Selling expenses for the years ended 31 December are as follows:

	2011	2010
Payroll expenses and related taxes	338,592	300,866
Bank commission	80,021	73,048
Transportation	45,167	41,863
Inventories	25,586	25,346
Depreciation and amortisation	25,561	16,605
Lease expenses	20,580	18,210
Security expenses	19,793	18,920
Others	38,572	48,283
	593,872	543,141

39. OTHER INCOME

Other income for the years ended 31 December is as follows:

	2011	2010
Income from penalties	268,549	374,993
Lease income	112,306	71,170
Income from the sale of inventories	32,723	83,980
Income from the purchase of bonds	32,484	304,278
Income from inventories identified during a stock count	31,240	36,120
Income from the write off of accounts payable	17,961	51,272
Income from construction and assembly work	-	5,939
Depreciation expenses on property, plant and equipment transferred to operating lease	(34,869)	(46,347)
Lease expenses	(31,437)	(32,000)
Accrual of provision for doubtful debts	(10,282)	-
(Loss)/income from the disposal of property, plant and equipment	(5,876)	7,557
Others	(19,443)	(15,247)
	393,356	841,715

40. FINANCE INCOME

Finance income for the years ended 31 December is as follows:

	2011	2010
Interest income from financial aid (Note 16)	287,750	90,683
Interest income on financial assets	166,525	-
Interest income from guarantee payments (Note 34)	10,029	13,606
Interest income on bonds placement	7,406	-
	471,710	104,289

(in thousand tenge)

41. FINANCE COSTS

Finance costs for the years ended 31 December are as follows:

	2011	2010
Interest expenses attributable to issued bonds	3,295,971	3,128,498
Interest expenses attributable to bank loans	1,235,778	797,019
Interest expenses on the interest-free loan received from a Group shareholder (Note 33)	-	55,057
Interest expenses attributable to an obligation to restore ash dumps (Note 28)	65,685	18,913
Interest expenses on guarantee payments (Note 27)	10,103	9,887
Changes in the estimate to restore the ash dumps	-	78,316
	4,607,537	4,087,690

42. NET GAIN ON OPERATIONS WITH FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Net income on operations with financial assets recorded at fair value through profit or loss is as follows:

	2011	2010
Trade income from operations with financial assets recorded at fair value through profit or loss		
- Shares	748,257	189,696
- Dividends	149,848	147,659
- Financial instruments	-	(53,340)
	898,105	284,015
Adjustments to the fair value of financial assets recorded at fair value through profit or loss		
- Shares	122,416	(100,508)
Total net income on operations with financial assets recorded at fair value through profit or loss	1,020,521	183,507

(in thousand tenge)

43. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

In 2011 the Company sold 100% share in subsidiary Sherfield Limited.

	Sherfield Limited
ASSETS	
Other accounts receivable	222,979
Cash and cash equivalents	1,714
Total assets	224,693
LIABILITIES:	
Other liabilities and accrued expenses	5,607
Total liabilities	5,607
Net assets	219,086
Total consideration received by:	
Accounts receivable from disposal	-
Net assets disposed of	(219,086)
Accumulated exchange translation differences	(250,172)
Loss from disposal	(469,258)

Accumulated exchange translation differences of 250,172 thousand tenge, previously recognized in other comprehensive income, were reclassified to losses during disposal.

44. SUBSIDIARIES ACQUIRED

Significant acquisitions took place in 2011. Each business combination was accounted for using the acquisition method

	Principal activity	Acquisition date	Share	Purchase consideration
Eurasian NPF JSC	Pension fund service, investment activity	15 April 2011	30.35%	1,785,042
Institute KazEnergoprom LLP	Development of project documentation in energy field	21 December 2011	95.1%	1,171,000

In April 2011 the Company acquired 30.35% of common shares of Eurasian NPF JSC and entered into option agreements to acquire 49.75% of common shares of Eurasian NPF JSC.

In December 2011 the Company also acquired 95.1% share in Institute KazEnergoprom LLP.

(in thousand tenge)

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

	ENPF JSC	Institute KazEnergoprom LLP	Total
Current assets:			
Investments	2,671,417	516,476	3,187,893
Cash and cash equivalents	440,491	289,080	729,571
Inventory	508	2,809	3,317
Advances paid	7,678	105,190	112,868
Taxes receivable and prepaid taxes	641	18,767	19,408
Trade accounts receivable	-	87,748	87,748
Other accounts receivable	56,857	152,592	209,449
Non-current assets:			
Property, plant and equipment	53,938	1,164,128	1,218,066
Intangible assets	14,411	18,881	33,292
Other non-current assets	-	6,004	6,004
Current liabilities:			
Short-term financial liabilities	-	(243,567)	(243,567)
Trade accounts payable	(264)	(34,006)	(34,270)
Advances received	-	(499,878)	(499,878)
Taxes payable and non-budgetary payments	(34,970)	(107,265)	(142,235)
Other liabilities and accrued expenses	(51,635)	(53,782)	(105,417)
Non-current assets:			
Long-term financial liabilities	-	(711,568)	(711,568)
Deferred tax liabilities	(4,056)	(98,876)	(102,932)
Net assets	3,155,016	612,733	3,767,749
Consideration transferred	1,785,042	1,171,000	2,956,042
Add: non-controlling interest	2,197,469	30,024	2,227,493
Less: fair value of identifiable net assets acquired	(3,155,016)	(612,733)	(3,767,749)
Goodwill	827,495	588,291	1,415,786
Consideration transferred			
Accounts payable	-	1,171,000	1,171,000
Cash and cash equivalents	1,785,042	-	1,785,042
	1,785,042	1,171,000	2,956,042
Net cash outflow on acquisition of subsidiaries			
Consideration paid in cash	1,785,042	-	1,785,042
Less: cash and cash equivalent balances acquired	(440,491)	(289,080)	(729,571)
	1,344,551	(289,080)	1,055,471

(in thousand tenge)

45. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing net profit for the year due to Shareholders of the Group by weighted average number of common shares, participating in distribution of net profit, outstanding during the year. The amount of common shares and common shares with diluted effect are the same as no dilution was made.

	2011	2010
Net profit, attributable to Shareholders	2,666,436	812,820
Weighted average number of common shares for calculating basic earnings per share	31,910,900	30,631,026
Profit per share, tenge	83.56	26.54

Balance value per share by type of shares as at 31 December 2011 and 2010 is presented below.

	31 December 2011		
Type of shares	**Quantity of shares placed**	**Net assets, excluding intangible assets**	**Balance value per share, in tenge**
Common shares	33,276,539	88,221,353	2,651.16

	31 December 2010		
Type of shares	**Quantity of shares placed**	**Net assets, excluding intangible assets**	**Balance value per share, in tenge**
Common shares	30,946,539	64,762,577	2,092.72

The management of the Group believes that completely fulfill requirements of Kazakhstani Stock Exchange as at the reporting date.

46. RELATED PARTY TRANSACTIONS

The Group's related parties include its shareholders affiliate companies over which the Group or its shareholders have significant control or significant influence, and key management personnel.

Transactions between the Company and its subsidiaries are eliminated on consolidation and are not presented in this note.

(in thousand tenge)

In 2011, the Group had substantial transactions with the following related parties:

Name	Sale of services 2011	Sale of services 2010	Purchase of services 2011	Purchase of services 2010	Purchase of assets 2011	Purchase of assets 2010
EnSoft LLP (previously – IPoint LLP)	-	-	-	39,909	-	-
Energocomplect-PV LLP	-	22,320	-	-	-	-
Alash-Service LLP	11,201	-	-	-	-	-
Ipoint Kazakhstan LLP (previously – MacCentre Kazakhstan LLP)	1,938	1,565	-	9,351	4,064	29,767
Other	879	185	1,269	2,317	-	2,587
	14,018	24,070	1,269	51,577	4,064	32,354

Name	Sale of financial services 2011	Sale of financial services 2010	Purchase of financial services 2011	Purchase of financial services 2010	Purchase/transfer of financial assets 2011	Purchase/transfer of financial assets 2010
Kaustik JSC	529,368	306,225	-	-	-	-
Amirkhanov E.A.	46,163	37,926	-	-	-	504,820
Kan S.V.	15,867	19,425	-	-	-	504,820
Klebanov A.Ya.	30,749	32,632	-	-	-	504,820
Ipoint Kazakhstan LLP (previously – MacCentre Kazakhstan LLP)	54,396	57,552	2,000	1,217	-	-
JIFRI CAPEC Invest JSC	-	-	-	-	8,049,882	-
Key personnel of Eximbank Kazakhstan JSC	8,800	7,073	-	-	-	-
Other	-	488	4,408	2,918	-	-
	685,343	461,321	6,408	4,135	8,049,882	1,514,460

Name	Due from related party 31 December 2011	Due from related party 31 December 2010	Due from related party 1 January 2010	Due to related party 31 December 2011	Due to related party 31 December 2010	Due to related party 1 January 2010
Kaustik JSC	1,122,000	-	-	-	-	-
Energocomplect-PV LLP	-	244,210	25,647	-	-	-
Amirkhanov E.A.	272,793	250,646	-	-	-	-
Kan S.V.	805,005	-	-	-	-	-
Klebanov A.Ya.	348,606	-	-	-	-	-
Other	1,647	4,643	2,786	1,421	40,947	-
	2,550,051	499,499	28,433	1,421	40,947	-

(in thousand tenge)

Name	Loans provided to related party			Customer accounts of related party		
	31 December 2011	31 December 2010	1 January 2010	31 December 2011	31 December 2010	1 January 2010
Kaustik JSC	5,050,445	4,322,970	-	-	-	-
Ipoint Kazakhstan LLP (previously – MacCentre Kazakhstan LLP)	390,011	406,004	254,739	20,161	24,955	30,085
Amirkhanov E.A.	360,506	478,926	-	-	-	-
Kan S.V.	138,125	174,958	196,293	-	-	-
Klebanov A.Ya.	240,295	326,581	-	-	-	-
ERA Television Company LLP	-	-	-	114,768	229,211	47,564
OIPAIM Zhetysu JSC	-	-	-	-	182,472	-
ALASH MEDIA GROUP LLP	-	-	-	31,791	157,141	241,489
Other	83,461	78,385	67,658	41,834	40,771	31,875
	6,262,843	5,787,824	518,690	208,554	634,550	351,013

As at 31 December 2011, loans and accrued interest of 6,116,381 thousand tenge (31 December and 1 January 2010: 4,471,780 thousand tenge and 4,503,584 thousand tenge, respectively) were represented by European Bank for Reconstruction and Development within the frame of concluded credit agreements.

Key management personnel

In 2011 the remuneration of the Board of Directors and other key Group personnel amounted to 416,851 thousand tenge (2010: 453,287 thousand tenge).

Payment of key employee bonus has been made by equity instruments and measured at fair value. The Group recognized the difference between the nominal value of shares and their fair value in other comprehensive income of 3,402,520 thousand tenge (Note 20).

47. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's main financial instruments include investments, loans to customers, trade and other accounts receivable, cash and cash equivalents, bonds, borrowings, customer accounts, subordinated debt and trade and other accounts payable. The main risks related to financial instruments of the Group are liquidity risk, credit risk and currency risk. The Group also controls market risk and interest rate risk arising on all financial instruments.

(in thousand tenge)

Categories of financial instruments

As at 31 December 2011 and 2010 and 1 January 2010 financial instruments are as follows:

	31 December 2011	31 December 2010	1 January 2010
Financial assets			
Other financial assets (Note 17)	5,886,941	11,832,287	10,203,728
Loans to customers (Note 10)	68,281,251	67,034,634	54,247,014
Trade accounts receivable (Note 13)	7,879,463	6,088,623	5,539,044
Other accounts receivable (Note 16)	4,163,884	2,019,631	1,398,514
Cash and cash equivalents (Note 18)	14,693,916	14,870,981	8,326,195
Financial liabilities			
Bonds issued (Note 22)	43,399,312	42,718,215	39,550,925
Loans (Note 23)	20,679,582	14,171,694	12,772,054
Customer accounts (Note 25)	38,527,116	40,416,630	19,089,047
Subordinated debt (Note 26)	1,800,856	1,800,196	1,818,128
Long-term accounts payable (Note 27)	107,023	112,369	109,119
Trade accounts payable (Note 30)	6,448,132	4,490,729	4,495,020
Other liabilities (Note 33)	1,882,708	1,013,191	843,226

Capital risk management

The Group manages capital risk to ensure that the Group can continue as a going concern in case of tariff increase and balance sheet optimization, debt and equity.

The capital structure of the Group equity includes share capital, additional paid in capital, revaluation reserve of property, plant and equipment, foreign exchange reserve, reserve fund for the revaluation of investment available for sale and retained earnings, as disclosed in the consolidated statement of changes in equity.

The general policy of the Group regarding capital risk management has not changed since 2010.

Basic accounting policies

Basic accounting policies and accepted methods, including recognition criteria, the basis of measurement and recognition of income and expenses for each class of financial assets and financial liabilities and equity instruments, are disclosed in Note 4 to the consolidated financial statements.

Objectives of financial risk management

Risk management is an essential element of the Group's operations. The Group controls and manages financial risks relating to operations of the Group by analyzing the risk exposure by the degree and amount of risk. These risks include market risk, liquidity risk and cash flow interest rate risk. The description of the Group's risk management policies is provided below.

Interest rate risk

The Group is exposed to interest rate risk since the Group receives the loans with fixed and floating interest rates. The Group manages the risk by appropriate balancing of loans at floating and fixed interest rates.

The Group's exposure to interest rate risk on financial assets and financial liabilities is reflected in the section on liquidity risk management in this Note.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis was made regarding the exposure to interest rate risk on non-derivative instruments at the reporting date. For liabilities with floating rates the analysis was made assuming that the outstanding liability was not repaid during the entire year. When preparing the management reports on interest rate risk for the key management of the Group an assumption is used on a change in the interest rate by 1%, which meets the expectations of the management regarding the reasonably possible fluctuation of interest rates.

If interest rates on liabilities were 1% more/less and all the other variables remained constant, then the profit of the Group for the year ended 31 December 2011 would decrease/increase by 38,852 thousand tenge (2010: 44,805 thousand tenge), but these changes would be compensated by the Group by changing tariffs on services of the Group. It relates to the Group's exposure to interest rate risk on its loan with a floating interest rate.

Credit risk

Credit risk arising as a result of contracting parties failing to meet the conditions of agreements with the Group's financial instruments is usually limited to amounts, if any, that the contracting parties' liabilities exceed the Group's liabilities to these contracting parties. The Group's policy ensures entering into the transactions involving financial instruments with a group of solvent contracting parties. The Group's maximum credit risk exposure equals the carrying value of each financial asset. The Group believes that its maximum exposure equals the amount of loans provided to customers (Note 10), trade accounts receivable (Note 13) and other accounts receivable (Note 16) less provision for doubtful debts recorded at the reporting date.

A credit risk concentration could arise if one borrower or a group of borrowers owe several amounts with similar operating conditions, in relation to which there are reasons to expect that changes in economic conditions or other circumstances may have the same impact on their ability to fulfill their obligations.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Management Board of the Group. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved quarterly by the management of the Group. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. Risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The Assets and Liabilities Management Committee manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Treasury Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

All of the Group's loan contracts and other financial assets and liabilities that bear interest are fixed. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The Group holds a dominant position on the market risk, in relation of production, transportation and sale of heat and electricity, the risk of a possible fluctuations in the value of a financial instrument due to change in market prices is unlikely.

Foreign currency risk

The amounts of financial assets and financial liabilities of the Group denominated in US dollars are recognized in tenge. Devaluation of the tenge exchange rate against US dollar can result in increase of losses of the Group.

(in thousand tenge)

The Group limits the currency risk by monitoring changes in exchange rates of foreign currencies in which, loans to customers, cash and cash equivalents, short-term and long-term borrowings and customers accounts are denominated.

Foreign currency sensitivity analysis

The Group is mainly exposed to the risk of fluctuation of US dollar exchange rate.

The following table reflects the Group's sensitivity to a 10% increase and decrease in the value of the tenge with respect to USD as at 31 December 2011 and 2010. 10% – is a sensitivity share used in preparation of internal reports on currency risk for key management and represents the management's assessment of reasonable possible changes in exchange rates. The sensitivity analysis includes only not regulated cash positions in foreign currency and adjusts their balance at the end of the period taking into account 10% of change in exchange rates. The sensitivity analysis includes a) loans to customers b) cash and cash equivalents c) short-term and long-term borrowings and d) customer accounts, when loans to customers, cash and cash equivalents, short-term and long-term loans and customer accounts are denominated in US dollars. The following table shows changes in financial assets and liabilities, in case of strengthening of tenge by 10% with respect to the relevant currency. The positive figure means increase in profit for the reporting period and negative means decrease in profit. In case of tenge weakening by 10% with respect to the relevant currency, there will be an equal and opposite effect on profits.

	USD effect	
	2011	**2010**
Financial assets	(758,761)	(495,493)
Financial liabilities	1,116,937	856,246

The carrying value of financial assets and liabilities as at 31 December is as follows:

	Financial assets		**Financial liabilities**	
	2011	**2010**	**2011**	**2010**
USD	7,585,761	4,954,926	11,169,368	8,562,458
Euro	11,685	20,795	3,249	3,987

Liquidity risk

The Group's shareholder is ultimately responsible for liquidity risk management since it created an appropriate system of liquidity risk management for management of the Group as per the requirements of management of liquidity and short, mid and long-term financing. The Group manages liquidity risks by maintaining sufficient provisions, bank loans and available credit lines by constant monitoring of predicted and actual cash flow and comparing maturity dates of its financial assets and liabilities.

Liquidity and interest rate risk tables

The following tables show the Group's maturity dates for its non-derivative financial assets and liabilities. The tables were compiled based on the non-discounted movement of cash flows on financial liabilities using the earliest date when Group's payment is due. The table includes cash flows both for interest and principal.

(in thousand tenge)

The liquidity risk and interest rate risk table as at 31 December is as follows:

	Weighted average effective interest rate	Up to one year	1-5 years	Over 5 years	Overdue	Total
2011						
Interest free:						
Trade accounts receivable	-	7,879,463	-	-	1,862,597	9,742,060
Other accounts receivable	-	4,279,496	-	-	130,133	4,409,629
Trade accounts payable	-	(6,448,132)	-	-	-	(6,448,132)
Other liabilities and accrued expenses	-	(1,882,708)	-	-	-	(1,882,708)
Interest:						
Loans to customers	12-23%	43,127,509	41,474,486	10,293,989	-	94,895,984
Bonds issued	9%-13%	(9,284,423)	(26,440,857)	(34,407,198)	-	(70,132,478)
Loans	Libor+3%-12.5%	(8,918,091)	(13,312,350)	(2,786,542)	-	(25,016,983)
Customer accounts	6.86%-8.04%	(40,292,470)	(286,777)	(490,209)	-	(41,069,456)
Long-term accounts payable	12.5-14.4%	(20,610)	(81,152)	(278,943)	-	(380,705)

	Weighted average effective interest rate	Up to one year	1-5 years	Over 5 years	Overdue	Total
2010						
Interest free:						
Trade accounts receivable	-	6,088,623	-	-	1,987,713	8,076,336
Other accounts receivable	-	2,125,280	-	-	172,816	2,298,096
Trade accounts payable	-	(4,490,729)	-	-	-	(4,490,729)
Other liabilities and accrued expenses	-	(1,013,191)	-	-	-	(1,013,191)
Interest:						
Loans to customers	12-23%	45,730,016	38,525,490	6,846,849	-	91,102,355
Bonds issued	9%-13%	(5,340,977)	(27,773,703)	(33,509,478)	-	(66,624,158)
Loans	12.5%-16%	(7,729,610)	(7,811,601)	(672,667)	-	(16,213,878)
Customer accounts	5.79%	(35,904,227)	(7,963,346)	(436,800)	-	(44,304,373)
Long-term accounts payable	12.5-14.4%	(11,195)	(77,736)	(301,027)	-	(389,958)

Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current market between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

(in thousand tenge)

The fair value of financial liabilities that are not carried at fair value in the statement of financial position compared with the corresponding carrying value in the financial statements of the Group is presented below:

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt securities issued	43,399,312	44,703,975	42,718,215	39,393,196
Subordinated debt	1,998,956	1,799,226	1,998,223	1,619,787

Financial assets at fair value through profit or loss, financial assets available-for-sale and other financial assets are carried at fair value in the statement of financial position. The carrying amounts of trade and other accounts receivable, other financial assets, cash and balances with the NBRK, trade and other accounts payable and other financial liabilities approximate fair value due to the short-term nature of such financial instruments.

There is no active secondary market in Kazakhstan for loans to customers, long-term loans and customer accounts, and there is no reliable market value available for this portfolio.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(in thousand tenge)

Class of financial asset:

	31 December 2011 Level 1	31 December 2010 Level 1
Financial assets recorded at fair value through profit or loss (Note 17)	1,438,283	2,556,517
Financial assets available for sale (Note 17)	4,094,118	1,065,912
	Level 2	**Level 2**
Financial assets available for sale (Note 17)	185,463	5,918
	Level 3	**Level 3**
Financial assets available for sale (Note 17)	-	8,044,995
Other financial assets (Note 17)	169,077	158,945

During 2011 there were no transfers of securities within Levels.

48. CONTINGENT LIABILITIES

Legal issues

The Group was and continues to be the subject of legal proceedings and adjudications which separately or in totality did not have a material impact on the Group.

Taxation

The Government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterized by poor drafting, different interpretations and arbitrary application by the authorities.

In particular taxes are subject to review and investigation by a number of authorities, which are entitled to impose severe fines, penalties and interest charges. Although the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the foregoing facts will possibly lead to tax risks for the Group.

In 2011 the Group repaid the liability on penalties and fines and paid taxes on time on due dates.

Environmental issues

The Group's management believes that at the moment the Group follows current environmental, health and safety laws and regulatory acts of the Republic of Kazakhstan. However, these laws and regulatory acts may change in future. The Group is unable to foresee the timing and degree of changes in the environmental, health and safety laws. In case of such changes the Group might be required to upgrade its technological equipment in order to meet more rigid requirements.

At each reporting date, the Group's management estimates the future obligations and creates a provision for restoration of ash disposal areas as per the legislation of the Republic of Kazakhstan.

Insurance

As at 31 December 2011 and 2010, JSC PAVLODARENEGO, a subsidiary, insured production complexes of TETS-2, TETS-3 and oxygen shop. The Group did not insure other property, plant and equipment. Since the lack of insurance does not mean the decrease in the value of assets or occurrence of liabilities, no provision for unforeseen expenses relating to damage or loss of such assets was set up in these consolidated financial statements.

Capital commitments

The Group developed and approved the following plan of capital commitments with the Agency of the Republic of Kazakhstan on regulation of natural monopolies:

(a) JSC PAVLODARENERGO, the subsidiary, developed and agreed with the Agency of the Republic of Kazakhstan on regulation of natural monopolies:

- plan of capital investments for 2007-2013 whereby JSC PAVLODARENERGO shall invest 8,000,000 thousand tenge into production assets;
- additional investment reconstruction and technical retooling program for 2010-2015, according to which JSC PAVLODARENERGO shall invest 21,769,470 thousand tenge into production assets;
- investment reconstruction and technical retooling program for the mid-term period of 2010-2013, according to which JSC PAVLODARENERGO shall invest into production assets 4,540,100 thousand tenge.

(b) JSC SEVKAZENERGO, the subsidiary, signed the Agreement with the Ministry of industry and new technologies of the Republic of Kazakhstan on investment obligations of the Group for 2012. According to this agreement the Group is obliged to invest in construction, modernization and acquisition of property, plant and equipment of 4,349,086 thousand tenge till the end of 2012.

Tariffs

The Group approves with the Agency of the Republic of Kazakhstan on regulation of natural monopolies the tariffs on electricity and heat. Management of the Group believes that it sets tariffs according to the legislation of the Republic of Kazakhstan.

Agreement with the European Bank for Reconstruction and Development

In 2011 the CAEPCO, the subsidiary, entered into a subscription agreement with the EBRD whereby the whereby EBRD acquired 24.88% shares of the Company. In 2011 Parent company, JSC CAPEC, made a transfer of a part of shares to EBRD in accordance with the agreement between the shareholders of the Company. As at 31 December 2011 EBRD owns 24.99% of the Company's shares. Pursuant to the terms of the agreement the Group is to meet a number of terms. Management of the Company believes that as at 31 December 2011 the Group did not violate any terms of the agreement and met all the requirements.

(in thousand tenge)

Agreement with the Islamic Infrastructure Fund

In 2011, the Company concluded an agreement on subscription with the IIF, whereby IIF acquired 12.89% shares of the Company (Note 16). Pursuant to the terms of the agreement the Group is to meet a number of terms. Management of the Company believes that as at 31 December 2011 the Group did not violate any terms of the agreement and met all the requirements.

49. PENSION ASSETS IN THE BALANCE SHEET

Net pension assets comprised:

	31 December 2011	31 December 2010
ASSETS		
Cash and cash equivalents	3,033,287	759,793
Due from banks	-	1,022,361
Financial assets at fair value through profit or loss	60,879,185	18,914,068
Investments available-for-sale	62,320,312	24,578,866
Investments held to maturity	-	-
Reverse repurchase agreements	8,800,446	4,600,049
Accounts receivable	460,242	877,846
TOTAL ASSETS	135,493,472	50,752,983
LIABILITIES:		
Commission fees payable	264,023	94,996
Other accounts payable	754	3,325
TOTAL LIABILITIES	264,777	98,321
NET PENSION ASSETS	135,228,695	50,654,662

As at 31 December 2011 and 2010, pension assets of the Fund included certain financial assets at fair value through profit or loss, investments available-for-sale and investments held to maturity, for which the fair value and impairment assessment was based on the requirements of FMSC, which specify an application of appropriate indicators for recognition and assessment of impairment of these financial instruments. The resulting investment income on pension assets is used as the basis for calculating commission income of the Fund. The Fund believes that amount of provision is a best estimate of impairment and is in compliance with the requirements of the FMSC. Due to the absence of an active market for certain investments, Management believes that the guidelines for the value of these investments established by the FMSC represent the best available indicator of the market value. The guidelines are being adopted by all market participants within the industry and as such, Management are of the impression that this basis represents the most appropriate approach to assessing the market value for assets held in pension funds.

50. EVENTS AFTER THE REPORTING PERIOD

Tariffs

Starting from 1 January 2012 the Department of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan increased tariffs of JSC PAVLODARENERGO for heat in average by 6%, electricity distribution and transmission services – by 12%, heat distribution and transmission services – 25.3%, sale of heat – by 15.1%.

Pursuant to the agreement No.183 dated 12 December 2011 On implementation of the investment commitments between JSC PAVLODARENERGO and Ministry of industry and new technologies of the Republic of Kazakhstan for 2012 maximum tariff for sale of electricity increased in average by 10% starting from 1 January 2012.

Pursuant to the agreement dated 12 December 2011 On implementation of the investment commitments between JSC SEVKAZENERGO and Ministry of industry and new technologies of the Republic of Kazakhstan for 2012 maximum tariff for sale of electricity increased from 1 April 2012 by 13.5%.

On 28 March 2012, according to the letter of the Department of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan the tariff for electric power of SEVKAZENERGOSBYT LLP, the subsidiary of JSC SEVKAZENERGO, amounted to 8.435 tenge/kWh without VAT.

Loans

From 1 January 2012 to the date of authorization of these consolidated financial statements JSC SEVKAZENERGO, the subsidiary, received 1,621,000 thousand tenge within the frame of credit line with JSC SB Sberbank of Russia. The interest rate on these loans comprised 10% per annum.

On 19 January 2012 the Company received the second tranche under the credit line from the JSC SB Sberbank of Russia of 1,443,102 thousand tenge. These funds were directed to preliminary purchase contract of shares of JSC Akmola REC.

On 18 January 2012, under a contract of a bank loan dated 26 March 2011 with EBRD LLP Pavlodar Thermal Networks, the subsidiary of JSC PAVLODARENERGO received the second tranche of 1,498,500 thousand tenge.

On 25 January 2012, under a contract of a bank loan dated 26 March 2011 with EBRD LLP Petropavlovsk Thermal Networks, the subsidiary of JSC SEVKAZENERGO, received the second tranche of 1,077,708 thousand tenge.

On 31 January 2012 the Company complied with the obligation to repurchase the bonds in accordance with the terms of the general agreement and separate purchase and sale contracts concluded with JSC Development Bank of Kazakhstan of 1,851,909 thousand tenge and released deposit funds in JSC Eximbank of Kazakhstan of 1,981,162 thousand tenge.

Interest-free loans

In the beginning of 2012 the shareholders of the Company repaid an interest-free of financial aid of 1,426,402 thousand tenge. As at to date the shareholders have no debts to the Company.

On 28 March and 25 May 2012 Malgray Enterprises Limited partially repaid interest-free financial aid of 1,500 thousand US Dollars.