

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

**Consolidated financial statements  
for the year ended 31 December 2010**

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

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES  
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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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 2010, 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 2010 were approved by Group management on 11 May 2011.

**On behalf of Group management:**

  
G. D. Artambayeva  
President

11 May 2011



  
K. E. Serikova  
Chief accountant

11 May 2011

## 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 2010, 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 audit opinion.

## Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, 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 44 to the accompanying consolidated financial statements which discloses the fact that the Group has significant transactions with related parties.
- Note 47 to the accompanying consolidated financial statements, which discloses the pension assets held by Fund (a subsidiary), not consolidated into the accompanying consolidated financial statements. As at 31 December 2010, the pension assets of the Fund 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 Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations. 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.

In addition, during 2010, the Fund (a subsidiary) reclassified certain Financial assets at fair value through profit or loss and Investments held to maturity to Financial assets available-for-sale in investment portfolio of pension assets. The Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations permits transfers between categories of securities, based on management's intentions.

Our opinion is not qualified in respect of these matters.




Deloitte, LLP  
Audit license for Republic of Kazakhstan No.  
0000015, type MFU – 2, issued by the Ministry of  
Finance of the Republic of Kazakhstan  
dated 13 September 2006

11 May 2011  
Almaty, Republic of Kazakhstan



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

  
Nurlan Bekenov  
General Director  
Deloitte, LLP

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2010**  
*(in thousands of tenge)*

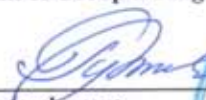
	Notes	31 December 2010	31 December 2009	1 January 2009
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment	8	64,355,716	57,834,262	51,903,379
Goodwill	9	2,451,859	2,451,859	2,451,871
Intangible assets		118,769	124,210	150,292
Other financial assets	17	1,071,830	1,137,818	178,541
Loans to customers	10	27,755,572	29,677,995	10,947,131
Advances paid for the acquisition of non-current assets	14	7,411,512	6,518,579	2,993,668
Deferred tax assets	24	120,344	50,852	40,058
Other non-current assets	11	195,345	226,236	349,630
<b>Total non-current assets</b>		<b>103,480,947</b>	<b>98,021,811</b>	<b>69,014,570</b>
<b>CURRENT ASSETS:</b>				
Inventories	12	2,017,080	1,545,105	1,140,920
Current portion of loans to customers	10	39,279,062	24,569,019	26,898,237
Trade accounts receivable	13	6,088,623	5,539,044	4,436,925
Advances paid	14	2,458,968	2,031,981	1,892,649
Corporate income tax prepaid		215,559	80,991	125,168
Taxes receivable and prepaid taxes	15	384,348	111,256	132,453
Other accounts receivable	16	2,249,949	1,517,608	788,841
Current portion of other financial assets	17	10,760,457	9,065,910	2,283,036
Cash and cash equivalents	18	14,870,981	8,326,195	7,489,985
		78,325,027	52,787,109	45,188,214
Assets classified as held for sale	19	224,693	227,240	171,527
<b>Total current assets</b>		<b>78,549,720</b>	<b>53,014,349</b>	<b>45,359,741</b>
<b>TOTAL ASSETS</b>		<b>182,030,667</b>	<b>151,036,160</b>	<b>114,374,311</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY:</b>				
Share capital	20	16,999,047	15,484,585	4,740,000
Additional paid-in capital		-	-	123,841
Revaluation reserve on property, plant and equipment		8,132,287	9,019,344	9,074,385
Reserve fund for the revaluation of investments available for sale		72,834	(161)	(5,532)
Foreign currency translation reserve		(250,172)	(248,746)	(286,965)
Retained earnings		21,236,286	20,464,396	21,674,166
<b>Equity attributable to the shareholders of the parent company</b>		<b>46,190,282</b>	<b>44,719,418</b>	<b>35,319,895</b>
Non-controlling interests	21	18,691,064	18,519,124	9,497,337
<b>Total equity</b>		<b>64,881,346</b>	<b>63,238,542</b>	<b>44,817,232</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 DECEMBER 2010  
(in thousands of tenge)**


	Notes	31 December 2010	31 December 2009	1 January 2009
<b>NON-CURRENT LIABILITIES:</b>				
Bonds issued	22	40,178,948	37,158,753	19,097,705
Long-term loans	23	6,978,512	8,817,888	6,410,297
Deferred tax liabilities	24	9,050,360	6,326,037	5,467,948
Customer accounts	25	6,861,278	12,564,807	9,784,621
Subordinated debt	26	1,800,196	1,818,128	1,818,128
Ash dump restoration liabilities	28	186,390	117,605	177,787
Employee benefit obligations	29	68,367	62,571	73,761
Deferred revenue	34	262,238	278,517	293,610
Long-term accounts payable	27	112,369	109,119	100,325
<b>Total non-current liabilities</b>		<b>65,498,658</b>	<b>67,253,425</b>	<b>43,224,182</b>
<b>CURRENT LIABILITIES:</b>				
Current portion of bonds issued	22	2,539,267	2,392,172	259,581
Trade accounts payable	30	4,490,729	4,495,020	3,553,797
Current portion of customer accounts	25	33,555,352	6,524,240	11,008,710
Short-term loans and current portion of long-term loans	23	7,193,182	3,954,166	4,223,904
Current portion of ash dump restoration liabilities	28	20,661	11,080	16,380
Current portion of employee benefit obligations	29	6,910	5,773	6,203
Advances received	31	1,674,692	1,351,699	1,518,370
Corporate income tax payable		234,089	44,100	511
Taxes payable and non-budgetary payments	32	521,116	597,365	1,568,120
Current portion of financial lease obligations		-	-	1,583
Other liabilities and accrued expenses	33	1,409,058	1,162,347	4,171,144
		51,645,056	20,537,962	26,328,303
Liabilities directly associated with assets held for sale	19	5,607	6,231	4,594
<b>Total current liabilities</b>		<b>51,650,663</b>	<b>20,544,193</b>	<b>26,332,897</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>182,030,667</b>	<b>151,036,160</b>	<b>114,374,311</b>

On behalf of Group management:

  
**G. D. Arlambayeva**  
President

11 May 2011



  
**K. E. Serikova**  
Chief accountant

11 May 2011

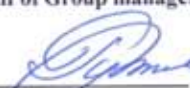
The notes on pages 11-78 form an integral part of these consolidated financial statements. The independent auditor's report is on pages 2-3.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2010  
(in thousands tenge)**


	Notes	2010	2009
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>			
Electricity and heat production and other	35	55,198,156	44,067,943
Financial services	35	9,354,809	7,580,130
		<u>64,552,965</u>	<u>51,648,073</u>
<b>COST</b>			
Electricity and heat production and other	36	(42,305,103)	(36,491,250)
Financial services	36	(2,818,672)	(2,648,252)
		<u>(45,123,775)</u>	<u>(39,139,502)</u>
<b>GROSS PROFIT</b>			
		<b>19,429,190</b>	<b>12,508,571</b>
General and administrative expenses	37	(7,897,180)	(6,360,878)
Selling expenses	38	(907,704)	(793,820)
Provision on loans to customers	10	(3,440,865)	(2,443,621)
Other income	39	1,047,647	1,058,670
Income from the disposal of a share in a subsidiary		-	8
Foreign exchange gain		368,936	512,995
Finance costs	40	(4,087,690)	(2,900,934)
Net gain on operations with financial assets at fair value through profit or loss	41	183,507	123,282
		<u>4,695,841</u>	<u>1,704,273</u>
<b>PROFIT BEFORE INCOME TAX</b>			
		<b>4,695,841</b>	<b>1,704,273</b>
INCOME TAX EXPENSE	24	(2,870,375)	(1,531,560)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>			
		<b>1,825,466</b>	<b>172,713</b>
<b>DISCONTINUED OPERATIONS</b>			
Loss for the year from discontinued operations	42	(396)	-
<b>PROFIT FOR THE YEAR</b>			
		<b>1,825,070</b>	<b>172,713</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Effect of a change in income tax rates	24	(495,325)	109,673
Revaluation of property, plant and equipment		-	318,609
Exchange differences on translating foreign operations		(1,426)	38,219
Net gain on investments available for sale		72,995	5,371
<b>TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>			
		<b>(423,756)</b>	<b>471,872</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<b>1,401,314</b>	<b>644,585</b>
<b>Profit attributable to:</b>			
Shareholders of the parent company		812,820	(63,269)
Non-controlling interests		1,012,250	235,982
<b>Total comprehensive income attributable to:</b>			
Shareholders of the parent company		499,567	297,169
Non-controlling interests		901,747	347,416

On behalf of Group management:

  
G. D. Artimbayeva  
President

11 May 2011



  
K. E. Serikova  
Chief accountant

11 May 2011

The notes on pages 11-78 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 CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010**

*(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 equity holders of the Parent	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 loans to the fair value, less effect of deferred tax 13,060 (Notes 16, 24, 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)/profit	-	(384,822)	(1,426)	72,995	-	(313,253)	(110,503)	(423,756)
<b>Total comprehensive income</b>	-	(384,822)	(1,426)	72,995	812,820	499,567	901,747	1,401,314
<b>Balance as at 31 December 2010</b>	<b>16,999,047</b>	<b>8,132,287</b>	<b>(250,172)</b>	<b>72,834</b>	<b>21,236,286</b>	<b>46,190,282</b>	<b>18,691,064</b>	<b>64,881,346</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010**  
*(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 equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2009	4,740,000	123,841	9,074,385	(286,965)	(5,532)	21,674,166	35,319,895	9,497,337	44,817,232
Change of interest in subsidiaries (Note 20)	2,500,000	(45,114)	315,416	-	-	(1,839,313)	930,989	8,674,371	9,605,360
Amortisation of revaluation reserve	-	-	(524,309)	-	-	524,309	-	-	-
Effect of the re-registration of subsidiary as a joint stock company	-	(78,727)	(162,996)	-	-	241,723	-	-	-
Adjustment of an interest-free loan to the fair value, less effect of deferred tax 18,305 (Notes 16 and 24)	-	-	-	-	-	(73,220)	(73,220)	-	(73,220)
Issue of shares (Note 20)	8,244,585	-	-	-	-	-	8,244,585	-	8,244,585
(Loss)/profit for the year	-	-	-	-	-	(63,269)	(63,269)	235,982	172,713
Other comprehensive income	-	-	316,848	38,219	5,371	-	360,438	111,434	471,872
Total comprehensive (loss)/income	-	-	316,848	38,219	5,371	(63,269)	297,169	347,416	644,585
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

On behalf of Group management:

**G. D. Actambayeva**  
President

**K. E. Serikova**  
Chief accountant

11 May 2011

11 May 2011



The notes on pages 11-78 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 CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2010**  
*(in thousands tenge)*

	Notes	2010	2009
<b>OPERATING ACTIVITIES:</b>			
Profit before income tax		4,695,445	1,704,273
Adjustments for:			
	36, 37, 38,		
Depreciation and amortisation	39	3,078,961	2,968,421
Provision on loans to customers	10	3,440,865	2,443,621
Actuary losses/(gains)	29	18,138	(3,299)
Accrual of provision for other non-current assets	11	-	98,912
Accrual/(recovery) of provision for obsolete inventory	12	11,545	(12,127)
Accrual of provision for doubtful debts	13,14,16	1,190,711	450,959
Interest income from guarantees	39	(13,606)	(13,267)
Profit from the disposal of property, plant and equipment		(7,557)	(6,997)
Finance costs	40	4,087,690	2,900,934
Net gain on operations with financial assets recorded at the fair value through profit or loss	41	(183,507)	(123,282)
Foreign exchange gain		(368,936)	(512,995)
Interest income from financial aid	39	(90,683)	(30,546)
Income from repurchase of bonds	39	(304,278)	(239,923)
Revaluation of investments available for sale		-	(5,371)
Other expense/(income)		9,988	(824)
		<u>15,564,776</u>	<u>9,618,489</u>
Cash flows from operating activities before changes in working capital			
Increase in loans to customers		(16,239,150)	(18,675,471)
Increase in inventories		(482,715)	(1,757,854)
Increase in trade accounts receivable		(1,635,990)	(1,392,153)
Increase in advances paid		(495,332)	(274,182)
(Increase)/decrease in taxes receivable and prepaid taxes		(374,335)	65,374
Increase in other accounts receivable		(797,474)	(947,822)
(Decrease)/increase in trade accounts payable		(4,291)	941,223
Increase/(decrease) in customer accounts		21,327,583	(1,704,284)
Increase/(decrease) in advances received		322,993	(166,671)
Decrease in taxes payable and non-budgetary payments		(76,249)	(970,755)
Decrease in ash dump restoration liabilities		(18,863)	(11,080)
Decrease in employee benefit obligations		(11,205)	(8,321)
Increase/(decrease) in other liabilities and accrued expenses		450,503	(3,024,951)
Decrease in deferred revenue		(9,310)	(5,179)
		<u>17,520,941</u>	<u>(18,313,637)</u>
Cash provided by/(used in) operating activities			
Income tax paid		(541,144)	(420,305)
Interest paid		(4,050,748)	(3,275,422)
		<u>12,929,049</u>	<u>(22,009,364)</u>
Net cash provided by/(used in) operating activities			

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010  
(in thousands tenge)**

	Notes	2010	2009
<b>INVESTING ACTIVITIES:</b>			
Proceeds from the disposal of property, plant and equipment		2,199,918	94,052
Proceeds from placement of deposits		158,945	-
Acquisition of non-current assets		(12,462,288)	(9,963,322)
Acquisition of investments		(1,187,727)	(1,867,395)
Proceeds from the sale of investments		-	20
Proceeds from intangible assets		(21,952)	-
Net cash used in investing activities		(11,313,104)	(11,736,645)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuing shares		-	2,254,032
Proceeds from the sale of interest in subsidiaries		125,035	9,605,360
Proceeds from issuing bonds		5,265,901	24,522,024
Payment for buy-back of bonds		(1,974,898)	(4,107,726)
Proceeds from loans		9,041,117	10,524,466
Payment of dividends		(175,971)	-
Financial aid provided to shareholder		(250,646)	-
Repayment of loans		(7,469,845)	(8,659,063)
Acquisition of investments available for sale		(15,345)	-
Other non-current assets		30,086	19,101
Net cash provided by financing activities		4,575,434	34,158,194
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,191,379	412,185
Effect of changes in foreign exchange rate on cash balance in foreign currency		353,407	424,025
CASH AND CASH EQUIVALENTS at the beginning of the year	18	8,326,195	7,489,985
CASH AND CASH EQUIVALENTS at the end of the year	18	14,870,981	8,326,195

**Non-cash transactions:**


- In 2010 the Group capitalized borrowing costs and foreign exchange loss from loans in a foreign currency for the total amount of 160,537 thousand tenge (2009: 385,555 thousand tenge).
- In 2010 the Group paid withholding tax using the offset of other accounts receivable and interest accrued of 106,162 thousand tenge (2009: 60,250 thousand tenge).
- In 2010 the Group transferred to other non-current assets the inventories held for use as a component for production of property, plant and equipment of 107,082 thousand tenge (2009: 107,887 thousand tenge).
- In 2010 the Group carried out capital repair of property, plant and equipment using its own resources and capitalized payroll expenses of 35,671 thousand tenge (2009: 36,821 thousand tenge).
- In 2010 Company shareholders contributed shares of OIPAIM Zhetysu JSC in amount of 1,514,462 thousand tenge to share capital (2009: 6,530,540 thousand tenge).
- In 2009 shareholders contributed property in amount of 460,000 thousand tenge to share capital.
- In 2009 the Group transferred intangible assets of 18,237 thousand tenge to property, plant and equipment.

On behalf of Group management:

  
G. D. Attambayeva  
President

11 May 2011



  
K. E. Serikova  
Chief accountant

11 May 2011

The notes on pages 11-78 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**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**  
*(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 2010 and 2009 and 1 January 2009 the Company's shareholders are Mr. E. Amirkhanov, Mr. A. Klebanov and Mr. S. Kan, residents of Republic of Kazakhstan.

The Company has a share in the following legal entities:

Subsidiaries	Location	Main activities	Share		
			31 December 2010	31 December 2009	1 January 2009
Exim Leasing Kazakhstan LLP	Almaty, Republic of Kazakhstan	Leasing operations, general commercial, trade purchase and agency activity	-	100.00%	100.00%
Amanat Kazakhstan Pension Fund JSC (hereinafter - "the Fund")	Almaty, Republic of Kazakhstan	Pension fund service, investment activity	99.98%	99.98%	99.95%
Eximbank Kazakhstan JSC (hereinafter - the "Bank")	Almaty, Republic of Kazakhstan	Banking	65.46%	68.47%	62.18%
Central-Asian Electric Power Corporation JSC (hereinafter - CAEPCO)	Almaty, Republic of Kazakhstan	Electricity and heat energy production, distribution and sale	75.12%	75.12%	100.00%

26 April 2010 the Company sold 100% share in Exim Leasing Kazakhstan LLP to JSC Investment Technology, not related party.

On 8 August 2008 Central-Asian Electric Power Corporation JSC was established. In 2009 CAEPCO entered into a subscription agreement with the European Bank of Reconstruction and Development (hereinafter - "EBRD") whereby the EBRD acquired 24.88% of the shares of CAEPCO.

As at 31 December 2010 and 2009 and 1 January 2009 total number of employees of the Group was 8,734, 8,970 and 8,755 people, respectively.

These consolidated financial statements were approved by the Group's management and authorized for issue on 11 May, 2011.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

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### 2. CURRENT ECONOMIC ENVIRONMENT

**Operating environment** – The Group is exposed to economic, political, social, legal and regulatory risks, risks different from risks of more developed markets. Laws and regulations governing the conduct of business in the Republic of Kazakhstan are still subject to rapid changes. There is a possibility of different interpretation of tax, currency and customs legislation, as well as other legal and fiscal problems faced by companies operating in the Republic of Kazakhstan. Future direction of the development of the Republic of Kazakhstan is largely dependent on the measures of economic, fiscal and monetary policy, adopted laws and regulations, as well as changes in the political situation in the country.

The global financial turmoil that has negatively affected Kazakhstani financial and capital markets in 2008 and 2009 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from decline in the oil and gas prices could slow or disrupt the Kazakhstani 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.

The Republic of Kazakhstan is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2010 and 2009 was 7.8% and 6.2%, respectively).

### 3. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### **Adoption of new and revised standards.**

*Standards and Interpretations adopted for the current period:*

In the current period, the Group adopted the following Standards and Interpretations:

- Amendments to IAS 27 *Consolidated and Separate Financial Statements* as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*, related to Eligible Hedged Items (effective for reporting periods beginning on or after 1 July 2009);
- IFRIC 17 *Distribution of Non-cash Assets to Owners* (effective for reporting periods beginning on or after 1 July 2009);
- IFRIC 18 *Transfer of Assets from Customers* (effective for reporting periods beginning on or after 1 July 2009).

Amendments to 12 existing standards and interpretations dated 16 April 2009 issued by the IFRS Committee, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The revised version is effective for reporting periods beginning on or after 1 January 2010.

The adoption of these standards and amendments thereto and Interpretations did not result in any changes in the accounting policy of the Group.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

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#### *Standards and Interpretations in issue but not yet adopted:*

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

- IAS 12 Income taxes – Change in limited scope (Recovery of Underlying Assets) (effective for reporting periods beginning on or after 1 January 2012);
- IAS 24 Related Party Disclosures – Revision of the definition of related parties (effective for reporting periods beginning on or after 1 January 2011);
- Amendments to IAS 32 Financial Instruments – disclosure and presentation relating to issues of rights classification (effective for reporting periods beginning on or after 1 February 2010);
- IFRS 1 First-time Adoption of IFRS – Limited exemption from comparative disclosure under IFRS 7 upon first time adoption (effective for reporting periods beginning on or after 1 July 2010);
- IFRS 1 First-time Adoption of IFRS – Change in fixed dates for certain exemptions relating to the date of transfer to IFRS (effective for reporting periods beginning on or after 1 July 2010);
- IFRS 1 First-time Adoption of IFRS – Additional exemption for entities ceasing to face acute hyperinflation (effective for reporting periods beginning on or after 1 July 2010);
- Amendments to IFRS 7 Financial Instruments – disclosure, relating to expansion of disclosures regarding transfer of financial assets (effective for reporting periods beginning on or after 1 July 2011);
- IFRS 9 Financial Instruments (effective for reporting periods beginning on or after 1 January 2013);
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction relating to voluntary prepaid contributions (effective for reporting periods beginning on or after 1 January 2011);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for reporting periods beginning on or after 1 July 2010).

On 6 May 2010, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to certain existing standards and interpretations. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The new version of the above standards and interpretations is effective for reporting periods beginning on or after 1 January 2011.

The management of the Group anticipates that all of the above Standards and Interpretations will be adopted in the consolidated financial statements for the period beginning on 1 January 2011, and the adoption of these Standards and Interpretations will have no material impact on consolidated financial statements of the Group in the period of initial application.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010**  
*(in thousand tenge)*

**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 Group’s consolidated financial statements are presented in tenge, the currency of the economic environment in which the Group operates (its functional currency). For the purposes of these consolidated financial statements the consolidated results of operations and consolidated financial position of the Group are expressed in Kazakhstan tenge (“Tenge”), which is the functional currency of the Group and presentation currency for these consolidated financial statements.

**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.

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 2010	31 December 2009	1 January 2009
USD	147.40	148.46	120.77

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

	2010	2009
USD	147.35	147.50



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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010  
(in thousand tenge)

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### 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.

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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	2-100 years
Machines and production equipment	2-50 years
Vehicles	2-15 years
Others	2-15 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

**Goodwill** – 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. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses.

Changes in a 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.

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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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**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 45.

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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**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.

**Securities repurchase and reverse repurchase agreements and securities lending transactions** – In the normal course of business, the Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit collateralized by securities and other assets and are classified within due from banks and/or loans and advances to customers.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

The transfer of securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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**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.

The minimum reserve deposits with the National Bank of the Republic of Kazakhstan are not subject to restrictions to its availability and therefore are included in cash and cash equivalents.

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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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 its 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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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**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 Balance Sheet Date” (“IAS 10”) and disclosed accordingly.

**Financial liabilities** - Financial liabilities are classified as either financial liabilities ‘at 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 45.

**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.

**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.

**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.



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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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**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.

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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**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 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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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**Recognition of income on repurchase and reverse repurchase agreements** - Gain/loss on the sale of the above instruments is recognized as interest income or expense in the consolidated statement of comprehensive income based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

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#### *Employee benefits*

##### Social tax

The Group pays social tax based on current Kazakhstan legislation. The Group's effective social tax rate during 2010 was approximately 6% of employees' gross income (2009: 10% of employees' gross income). The social tax and payroll of personnel are expensed in the period as accrued.

The Group also withholds 10% from the salary of its employees as contributions to the cumulative pension funds but not more than 112,140 tenge per month from 1 January to 1 July 2010 (2009: not more than 101,025 tenge per month from 1 January to 1 July 2009 and 102,877 tenge per month from 1 July to 31 December 2009). 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.

The Group has no other pension liabilities, except for JSC SEVKAZENERGO and JSC PAVLODARENERGO (subsidiaries of JSC CAEPCO).

##### 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.

**Provisions** – Provisions are recognized when the Group has a current legal or constructive obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are revised at each reporting date and adjusted to reflect the best current estimate.

Where the effect of time value of money is material, a provision is calculated as the carrying value of expenses that are expected to be able to repay liabilities.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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**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:
  - 1. controls, is controlled by, or is under common control with the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
  - 2. has an interest in the Group that gives it significant influence over the Group; or
  - 3. 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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

**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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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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 (Note 28).

**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 (Notes 27 and 34).

**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 a 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.

**Assessment of the effect of deferred income tax** – At each reporting date, management of the Group determines the future effect of deferred income tax by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the respective tax basis. The deferred tax assets and liabilities are calculated at tax rates which are applicable to the period when the asset is realized or the liability is repaid.

The deferred tax assets are recognized to the extent the taxable profit is probable against which respective time differences can be realized. The deferred tax assets are analyzed as at each reporting date and decreased to the extent the realization of respective tax benefits is no more probable.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010**

(in thousand tenge)

**6. RECLASSIFICATIONS**

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2009 and 1 January 2009 and for the year ended 31 December 2009 to conform to the form of presentation of the consolidated financial statements for the year ended 31 December 2010 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 are presented as follows:

<b>Consolidated statement of financial position</b>	<b>As previously reported Year ended 31 December 2009</b>	<b>Reclassification amount</b>	<b>As reclassified Year ended 31 December 2009</b>
<b>CURRENT ASSETS:</b>			
Current portion of loans to customers	24,673,714	(104,695)	24,569,019
Corporate income tax prepaid	-	80,991	80,991
Taxes receivable and prepaid taxes	192,247	(80,991)	111,256
Cash and cash equivalents	8,221,500	104,695	8,326,195
<b>NON-CURRENT LIABILITIES:</b>			
Deferred revenue	-	278,517	278,517
<b>Total non-current liabilities</b>	<b>66,974,908</b>	<b>278,517</b>	<b>67,253,425</b>
<b>CURRENT LIABILITIES:</b>			
Corporate income tax payable	-	44,100	44,100
Taxes payable and non-budgetary payments	641,465	(44,100)	597,365
Deferred revenue	278,517	(278,517)	-
<b>Total current liabilities</b>	<b>20,822,710</b>	<b>(278,517)</b>	<b>20,544,193</b>
<b>Consolidated statement of financial position</b>	<b>As previously reported Year ended 1 January 2009</b>	<b>Reclassification amount</b>	<b>As reclassified Year ended 1 January 2009</b>
<b>CURRENT ASSETS:</b>			
Current portion of loans to customers	26,933,433	(35,196)	26,898,237
Corporate income tax prepaid	-	125,168	125,168
Taxes receivable and prepaid taxes	257,621	(125,168)	132,453
Cash and cash equivalents	7,454,789	35,196	7,489,985
<b>NON-CURRENT LIABILITIES:</b>			
Deferred revenue	-	293,610	293,610
<b>Total non-current liabilities</b>	<b>42,930,572</b>	<b>293,610</b>	<b>43,224,182</b>
<b>CURRENT LIABILITIES:</b>			
Corporate income tax payable	-	511	511
Taxes payable and non-budgetary payments	1,568,631	(511)	1,568,120
Deferred revenue	293,610	(293,610)	-
<b>Total current liabilities</b>	<b>26,626,507</b>	<b>(293,610)</b>	<b>26,332,897</b>



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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Consolidated statement of comprehensive income	As previously reported Year ended 31 December 2009	Reclassification amount	As reclassified Year ended 31 December 2009
<b>COST</b>			
Electricity and heat production and other	(36,194,629)	(296,621)	(36,491,250)
<b>GROSS PROFIT</b>	12,805,192	(296,621)	12,508,571
General and administrative expenses	(6,657,499)	296,621	(6,360,878)
Net gain on financial assets and liabilities at fair value through profit or loss	338,849	(215,567)	123,282
Other operating income	562,713	(562,713)	-
Other income	280,390	778,280	1,058,670
<b>Consolidated statement of cash flows</b>			
<b>OPERATING ACTIVITIES:</b>			
Net gain on operations with financial assets recorded at the fair value through profit or loss	(338,849)	215,567	(123,282)
Interest income from financial aid	-	(30,546)	(30,546)
Income from repurchase of bonds	-	(239,923)	(239,923)
Cash flows from operating activities before changes in working capital	9,673,391	(54,902)	9,618,489
Increase in loans to customers	(18,320,945)	(354,526)	(18,675,471)
Increase in other accounts receivable	(978,368)	30,546	(947,822)
Cash used in operating activities	(17,934,755)	(378,882)	(18,313,637)
Net cash used in operating activities	(21,630,482)	(378,882)	(22,009,364)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from issuing bonds	20,389,942	24,356	20,414,298
Net cash provided by financing activities	34,133,838	24,356	34,158,194
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	766,711	(354,526)	412,185
Effect of changes in foreign exchange rate on cash balance in foreign currency	-	424,025	424,025
<b>CASH AND CASH EQUIVALENTS</b> at the beginning of the year	7,454,789	35,196	7,489,985
<b>CASH AND CASH EQUIVALENTS</b> at the end of the year	8,221,500	104,695	8,326,195

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
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**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. 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 2010			Total
	Production of electricity and heat	Financial services	Unallocated results	
<b>Key operating results</b>				
Revenue	55,073,833	9,354,809	124,323	64,552,965
Cost of sales	(42,178,988)	(2,818,672)	(126,115)	(45,123,775)
General and administrative expenses	(5,128,720)	(2,520,022)	(248,438)	(7,897,180)
Selling expenses	(907,704)	-	-	(907,704)
Provision for loans to customers	-	(3,440,865)	-	(3,440,865)
Foreign exchange (loss)/gain	(75,332)	451,947	(7,679)	368,936
Finance costs	(1,865,850)	-	(2,221,840)	(4,087,690)
Other income	652,983	281,347	113,317	1,047,647
Net income on operations with financial assets recorded at fair value through profit or loss	-	134,122	49,385	183,507
Profit/(loss) for the year	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)
<b>Profit/(loss) for the year from continuing activities</b>	<b>2,886,625</b>	<b>1,244,150</b>	<b>(2,305,309)</b>	<b>1,825,466</b>
<b>Loss from discontinued activities</b>	<b>-</b>	<b>-</b>	<b>(396)</b>	<b>(396)</b>
Profit/(loss) for the year	2,886,625	1,244,150	(2,305,705)	1,825,070
<b>Other key information on segments</b>				
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

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	For the year ended 31 December 2009			Total
	Production of electricity and heat	Financial services	Unallocated results	
<b>Key operating results</b>				
Revenue	43,941,850	7,580,130	126,093	51,648,073
Cost of sales	(36,371,846)	(2,648,252)	(119,404)	(39,139,502)
General and administrative expenses	(3,511,068)	(2,587,059)	(262,751)	(6,360,878)
Selling expenses	(793,820)	-	-	(793,820)
Provision for loans to customers	-	(2,443,621)	-	(2,443,621)
Income from the disposal of interest in a subsidiary	-	-	8	8
Foreign exchange (loss)/gain	(57,602)	593,821	(23,224)	512,995
Finance costs	(1,560,187)	-	(1,340,747)	(2,900,934)
Other income	738,550	229,769	90,351	1,058,670
Net profit on operations with financial assets recorded at fair value through profit or loss	-	123,282	-	123,282
Profit/(loss) for the year	2,385,885	848,070	(1,529,682)	1,704,273
Income tax (expense)/benefit	(1,291,673)	(247,640)	7,753	(1,531,560)
<b>Profit/(loss) for the year from continuing activities</b>	<b>1,094,212</b>	<b>600,430</b>	<b>(1,521,929)</b>	<b>172,713</b>
Profit/(loss) for the year	1,094,212	600,430	(1,521,929)	172,713
<b>Other key information on segments</b>				
Capital expenditures on property, plant and equipment	6,237,237	1,973,342	501,724	8,712,303
Depreciation of property, plant and equipment	2,660,642	153,669	118,504	2,932,815
Income from operations with other operating segments within the Group	1,078,387	247,628	526,638	1,852,653

**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.

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**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
<b>Revalued cost</b>						
As at 1 January 2009	17,871,804	34,492,740	1,139,599	383,125	1,234,881	55,122,149
Purchases	2,336,083	260,984	56,805	74,658	4,583,191	7,311,721
Transfers from inventories	-	1,881	-	837	1,397,864	1,400,582
Internal transfers	302,607	3,488,034	16,456	5,796	(3,812,893)	-
Disposals	(89,886)	(68,428)	(47,730)	(45,972)	(10)	(252,026)
Revaluation	34,773	-	-	-	261,150	295,923
As at 31 December 2009	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	(1,908,627)	(393,451)	(79,307)	(23,922)	(21)	(2,405,328)
As at 31 December 2010	18,704,563	40,961,869	1,092,606	459,792	12,019,574	73,238,404
<b>Accumulated depreciation</b>						
As at 1 January 2009	(808,530)	(2,087,875)	(214,216)	(108,292)	143	(3,218,770)
Charge for the year	(725,819)	(1,987,782)	(157,495)	(61,719)	-	(2,932,815)
Disposals	46,459	24,241	24,627	12,171	-	107,498
As at 31 December 2009	(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)
<b>Carrying value</b>						
As at 31 December 2010	16,487,077	34,933,233	650,411	265,278	12,019,717	64,355,716
As at 31 December 2009	18,967,491	34,123,795	818,046	260,604	3,664,326	57,834,262
As at 1 January 2009	17,063,274	32,404,865	925,383	274,833	1,235,024	51,903,379

The revaluation of property, plant and equipment of the Group was conducted by an independent appraiser at 31 December 2007. The fair value of property, plant and equipment at the stated date was determined by comparing the depreciated replacement cost. Management believes that the results of the revaluation appropriately reflect the economic conditions of property, plant and equipment of the Group at that date.

The Group's management believes that at 31 December 2010 and 2009 and 1 January 2009 the carrying amount of property, plant and equipment does not differ significantly from the fair value.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

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 2010	6,458,641	17,547,701	354,998	233,205	11,654,928	36,249,473
As at 31 December 2009	9,885,335	17,427,267	320,172	242,272	3,664,326	31,539,372
As at 1 January 2009	11,881,609	23,325,367	476,958	271,340	1,319,131	37,274,405

For the years ended 31 December 2010 and 2009, the Group capitalized interest expenses and foreign exchange loss arising on loans in foreign currency, in the total amount of 160,357 thousand tenge and 385,555 thousand tenge, respectively.

As at 31 December 2010 and 2009 and 1 January 2009 the carrying value of pledged property, plant and equipment amounted to 20,222,216 thousand tenge, 20,011,023 thousand tenge and 11,760,656 thousand tenge, respectively (Note 23).

Fully depreciated property, plant and equipment as at 31 December 2010 and 2009 and 1 January 2009 amounted to 506,456 thousand tenge, 442,532 thousand tenge and 243,205 thousand tenge, respectively.

For the year ended 31 December 2010 and 2009 the purchase of property, plant and equipment from related parties amounted to 29,463 thousand tenge and 491,870 thousand tenge, respectively (Note 44).

## 9. GOODWILL

For the years ended 31 December 2010 and 2009 and 1 January 2009 changes to goodwill are as follows:

Value	31 December 2010	31 December 2009	1 January 2009
As at 1 January	2,451,859	2,451,871	1,481,634
Goodwill on investments (disposed)/acquired	-	(12)	970,237
As at 31 December	<u>2,451,859</u>	<u>2,451,859</u>	<u>2,451,871</u>

As at 31 December 2010 and 2009 and 1 January 2009 no impairment of goodwill were identified.

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**10. LOANS TO CUSTOMERS**

As at 31 December 2010 and 2009 and 1 January 2009 loans to customers are as follows:

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>1 January 2009</b>
Loans to customers	75,345,812	59,650,396	40,915,268
Loans and advances to banks	-	-	140,720
	<u>75,345,812</u>	<u>59,650,396</u>	<u>41,055,988</u>
Provision for loans to customers	(8,311,178)	(5,403,382)	(3,210,620)
	<u>67,034,634</u>	<u>54,247,014</u>	<u>37,845,368</u>
Long-term loans	27,755,572	29,677,995	10,947,131
Short-term loans	39,279,062	24,569,019	26,898,237
	<u>67,034,634</u>	<u>54,247,014</u>	<u>37,845,368</u>

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

	<b>Loans and advances to banks</b>	<b>Loans to customers</b>	<b>Total</b>
As at 1 January 2009	140,720	3,069,900	3,210,620
Accrual of provision	35,311	2,408,310	2,443,621
Write off of previously recognized provision	(176,031)	(74,828)	(250,859)
As at 31 December 2009	<u>-</u>	<u>5,403,382</u>	<u>5,403,382</u>
Accrual of provision	-	3,440,865	3,440,865
Write off of previously recognized provision	-	(533,069)	(533,069)
As at 31 December 2010	<u>-</u>	<u>8,311,178</u>	<u>8,311,178</u>

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

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>1 January 2009</b>
Tenge	63,513,516	48,705,405	37,587,200
USD	3,521,118	5,541,609	221,119
Euro	-	-	15,399
Others	-	-	21,650
	<u>67,034,634</u>	<u>54,247,014</u>	<u>37,845,368</u>

As at 31 December 2010 and 2009 and 1 January 2009 loans to related parties amounted to 5,787,824 thousand tenge, 518,690 thousand tenge and 372,793 thousand tenge, respectively (Note 44).

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**11. OTHER NON-CURRENT ASSETS**

As at 31 December 2010 and 2009 and 1 January 2009 non-current assets are as follows:

	31 December 2010	31 December 2009	1 January 2009
Debtors on guarantees	289,645	291,530	237,195
Accounts receivable from factoring transactions	108,638	143,873	179,107
Inventories intended for use in the production of property, plant and equipment	107,082	107,887	142,673
Other long-term accounts receivable	-	-	36,808
	<u>505,365</u>	<u>543,290</u>	<u>595,783</u>
Provision for doubtful debts	<u>(310,020)</u>	<u>(317,054)</u>	<u>(246,153)</u>
	<u>195,345</u>	<u>226,236</u>	<u>349,630</u>

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

	2010	2009
As at 1 January	317,054	246,153
Accrual of provision	-	98,912
Write off of previously recognized provision	<u>(7,034)</u>	<u>(28,011)</u>
As at 31 December	<u>310,020</u>	<u>317,054</u>

As at 31 December 2010 and 2009 and 1 January 2009 other non-current assets were denominated in tenge.

**12. INVENTORIES**

As at 31 December 2010 and 2009 and 1 January 2009 inventories are as follows:

	31 December 2010	31 December 2009	1 January 2009
Raw materials	733,236	588,196	438,852
Spare parts	493,612	303,915	218,705
Fuel	228,282	311,815	216,374
Rolled metal and products	147,875	56,026	59,776
Construction materials	38,879	61,961	57,501
Measuring devices	31,704	25,494	32,800
Isolation materials	27,948	11,236	12,628
Specialised clothing	20,031	17,571	13,532
Piping	-	-	17,376
Others	<u>355,540</u>	<u>217,373</u>	<u>133,985</u>
	<u>2,077,107</u>	<u>1,593,587</u>	<u>1,201,529</u>
Provision for obsolete inventories	<u>(60,027)</u>	<u>(48,482)</u>	<u>(60,609)</u>
	<u>2,017,080</u>	<u>1,545,105</u>	<u>1,140,920</u>

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

	2010	2009
As at 1 January	48,482	60,609
Accrual/(recovery) of the provision	<u>11,545</u>	<u>(12,127)</u>
As at 31 December	<u>60,027</u>	<u>48,482</u>

For the years ended 31 December 2010 and 2009, the purchase of inventories from related parties amounted to 2,891 thousand tenge and 494 tenge, respectively (Note 44).

**13. TRADE ACCOUNTS RECEIVABLE**

As at 31 December 2010 and 2009 and 1 January 2009, trade accounts receivable are as follows:

	31 December 2010	31 December 2009	1 January 2009
Sale and transfer of electricity and heat	7,634,841	6,722,829	5,442,638
Sale of inventories and other services	346,040	92,137	91,244
Lease	48,833	6,470	21,944
Others	<u>46,622</u>	<u>42,403</u>	<u>39,907</u>
	8,076,336	6,863,839	5,595,733
Provision for doubtful debts	<u>(1,987,713)</u>	<u>(1,324,795)</u>	<u>(1,158,808)</u>
	<u>6,088,623</u>	<u>5,539,044</u>	<u>4,436,925</u>

The Group believes that trade accounts receivable, less provision, will be recovered as procedures are in place to recover the accounts receivable using independent lawyers, where necessary. The Group believes that the provision created for third parties is sufficient. The Group determines the possibility of collecting its accounts receivable based on conditions existing at the reporting date.

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

	2010	2009
As at 1 January	1,324,795	1,158,808
Accrual of provision	1,086,411	290,034
Write off of previously recognized provision	<u>(423,493)</u>	<u>(124,047)</u>
As at 31 December	<u>1,987,713</u>	<u>1,324,795</u>



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

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>1 January 2009</b>
Tenge	6,077,738	5,539,044	4,436,925
Russian Rubbles	<u>10,885</u>	<u>-</u>	<u>-</u>
	<u>6,088,623</u>	<u>5,539,044</u>	<u>4,436,925</u>

As at 31 December 2010 and 2009 and 1 January 2009 trade accounts receivable from related parties amounted to 188 thousand tenge, 127 thousand tenge and 1,764 thousand tenge, respectively (Note 44).

**14. ADVANCES PAID**

As at 31 December 2010 and 2009 and 1 January 2009 advances paid are as follows:

	<b>31 December 2010</b>	<b>31 December 2009</b>	<b>1 January 2009</b>
For purchase non-current assets	5,411,512	4,518,579	2,993,668
For purchase shares	2,701,820	3,131,820	-
For purchase services	1,144,015	903,264	1,819,632
For purchase goods	834,159	189,438	123,944
Others	<u>43,832</u>	<u>3,972</u>	<u>10,736</u>
	10,135,338	8,747,073	4,947,980
Provision for doubtful debts	<u>(264,858)</u>	<u>(196,513)</u>	<u>(61,663)</u>
	<u>9,870,480</u>	<u>8,550,560</u>	<u>4,886,317</u>
Non-current	7,411,512	6,518,579	2,993,668
Current	<u>2,458,968</u>	<u>2,031,981</u>	<u>1,892,649</u>
	<u>9,870,480</u>	<u>8,550,560</u>	<u>4,886,317</u>

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

	<b>2010</b>	<b>2009</b>
As at 1 January	196,513	61,663
Accrual of provision	<u>68,345</u>	<u>134,850</u>
As at 31 December	<u>264,858</u>	<u>196,513</u>

In 2009 the Company paid an advance to JSC Investment Technology in amount of 831,820 thousand tenge and Stroiinservice LLP in amount 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 rest of the amount was returned in 2011 (Note 48).

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On 12 August 2009 the Company also paid an advance to Centrstroienienergo JSC in amount of 2,000,000 thousand tenge to purchase shares in the Kaustik plant in the Pavlodar Oblast.

As at 31 December 2010 and 2009 and 1 January 2009 advances paid to related parties amounted to 181,086 thousand tenge, 2,659 thousand tenge and nil, respectively (Note 44).

**15. TAXES RECEIVABLE AND PREPAID TAXES**

As at 31 December 2010 and 2009 and 1 January 2009 taxes receivable and prepaid taxes are as follows:

	31 December 2010	31 December 2009	1 January 2009
VAT recoverable	254,943	32,885	56,048
Tax at the source of payment	110,991	24,488	48,408
Property tax	12,187	44,485	7,835
Others	6,227	9,398	20,162
	<u>384,348</u>	<u>111,256</u>	<u>132,453</u>

**16. OTHER ACCOUNTS RECEIVABLE**

As at 31 December 2010 and 2009 and 1 January 2009, other accounts receivable are as follows:

	31 December 2010	31 December 2009	1 January 2009
Interest-free loan	1,116,561	782,170	40,370
Accounts receivable from court proceedings and accrued fines	584,759	595,575	194,059
Receivables from sale of property	294,600	-	-
Accrued commission	99,951	55,786	68,550
Receivables from employees	68,669	63,308	168,789
Receivables from letters of credit	61,820	-	-
Accounts receivable from factoring transactions	-	-	16,034
Sales of shares	-	-	220,000
Other	302,054	245,522	207,811
	<u>2,528,414</u>	<u>1,742,361</u>	<u>915,613</u>
Adjustment of the interest-free loan to the fair value	(105,649)	(75,974)	-
Provision for doubtful debts	(172,816)	(148,779)	(126,772)
	<u>(278,465)</u>	<u>(224,753)</u>	<u>(126,772)</u>
	<u>2,249,949</u>	<u>1,517,608</u>	<u>788,841</u>

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

	2010	2009
As at 1 January	148,779	126,772
Accrual of provision	35,955	26,075
Write off of previously recognized provision	<u>(11,918)</u>	<u>(4,068)</u>
As at 31 December	<u>172,816</u>	<u>148,779</u>

As at 31 December 2010 the interest-free loan included interest-free financial aid to Malgray Enterprises Limited in amount of 5,000 thousand USD (or 737,000 thousand tenge) (as at 31 December 2009 and 1 January 2009, 741,800 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 2010 the loan was prolonged till 1 November 2011. As a result the Group recognised an adjustment to fair value in equity in 2010 of 90,987 thousand tenge less deferred tax of 18,197 thousand tenge (2009: 91,525 thousand tenge less deferred tax of 18,305 thousand tenge). For the year ended 31 December 2010 the Group recognised interest income of 90,683 thousand tenge (2009: 15,551 thousand tenge) (Note 39).

On 31 December 2010 the Group provided interest-free financial aid to Group shareholder Amirhanov E.A. in amount of 250,446 thousand tenge, maturing on 30 December 2011. The Group recorded the interest-free aid at its amortized cost using the effective interest rate of 12.9% and recognized adjustment in equity of 29,371 thousand tenge less deferred tax of 5,874 thousand tenge.

As at 31 December 2010 the interest-free loan included a loan in amount of 129,115 thousand tenge, issued to Aksar-Pavlodar LLP, which is not a related party of the Group. The loan was granted in order to assist in the development of the social sphere of the Pavlodar region.

As at 31 December 2010 and 2009 and 1 January 2009 accrued commission receivable was 15% of investment income on the pension assets of Amanat Kazakhstan 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 2010 and 2009 and 1 January 2009 accrued fines in amount of 584,759 thousand tenge, 595,575 thousand tenge and 194,059 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 2010 and 2009 and 1 January 2009 other accounts receivable are denominated in tenge.

As at 31 December 2010 and 2009 and 1 January 2009 other accounts receivable to related parties amounted to 314,856 thousand tenge, 26,097 thousand tenge and 155,580 thousand tenge, respectively (Note 44).

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**17. OTHER FINANCIAL ASSETS**

As at 31 December 2010 and 2009 and 1 January 2009, other financial assets are as follows:

	31 December 2010	31 December 2009	1 January 2009
Financial assets available for sale (a)	9,116,825	7,668,354	178,541
Financial assets recorded at fair value through profit and loss (b)	2,556,517	2,535,374	2,283,036
Other financial assets (c)	158,945	-	-
	<u>11,832,287</u>	<u>10,203,728</u>	<u>2,461,577</u>

As at 31 December 2010 and 2009 and 1 January 2009 other financial assets consisted of the following:

	31 December 2010	31 December 2009	1 January 2009
Short-term financial assets	10,760,457	9,065,910	2,283,036
Long-term financial assets	1,071,830	1,137,818	178,541
	<u>11,832,287</u>	<u>10,203,728</u>	<u>2,461,577</u>

	31 December 2010	31 December 2009	1 January 2009
<i>(a) Financial assets available for sale</i>			
Shares	8,044,995	6,530,536	24,593
Debt securities	1,071,830	1,137,818	153,948
	<u>9,116,825</u>	<u>7,668,354</u>	<u>178,541</u>

Shares are presented by a 25% share in Pension Fund "Ular Umit" and a 25% shares of Organization Implementing Pension Assets Investment Management of Zhetysu JSC (hereinafter - OIPAIM Zhetysu JSC), which were classified as available for sale (31 December 2009: 25% share in Pension Fund "Ular Umit" of 6,530,536 thousand tenge and 1 January 2009: shares of JSC "Kazakhmys" and JSC "Ordabasy" of 24,593 thousand tenge).

	Nominal interest rate %	31 December 2010	31 December 2009	1 January 2009
<b>Debt securities:</b>				
Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.30-8.70	766,670	971,870	85,088
Notes of National Bank of Republic of Kazakhstan	4.30	204,655	-	-
Bonds of Kazakhstan issuers	7.90-12.00	100,505	165,948	68,860
		<u>1,071,830</u>	<u>1,137,818</u>	<u>153,948</u>

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	31 December 2010	31 December 2009	1 January 2009
<i>(b) Financial assets recorded at fair value through profit and loss</i>			
Shares	1,560,994	1,902,277	78,886
Debt securities	995,523	633,097	2,204,150
	<u>2,556,517</u>	<u>2,535,374</u>	<u>2,283,036</u>

As at 31 December 2010 and 2009 and 1 January 2009 shares are presented as follows:

	Share %	31 December 2010	31 December 2009	1 January 2009
<b>Equity securities:</b>				
Preferred shares JSC "Eximbank Kazakhstan"	-	1,400,792	1,494,345	-
JSC "Vypelcom"	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	-
Common shares JSC "Kazakhmys"	2.00	-	-	41,902
Common shares JSC "Eurasian Natural Resources Corporation PLC"	0.55	-	-	36,984
		<u>1,560,994</u>	<u>1,902,277</u>	<u>78,886</u>
	Nominal interest rate %	31 December 2010	31 December 2009	1 January 2009
<b>Debt securities:</b>				
Bonds of Kazakhstan companies	7.2-9.20	995,491	40,758	52,437
Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.50-7.80	32	592,339	2,151,713
		<u>995,523</u>	<u>633,097</u>	<u>2,204,150</u>

**(c) Other financial assets**

As at 31 December 2010 other financial assets represented deposits of 158,945 thousand tenge kept in Tsesna Bank JSC.

As at 31 December 2010 and 2009 and 1 January 2009 other financial assets are denominated in the following currencies:

	31 December 2010	31 December 2009	1 January 2009
Tenge	11,672,085	9,811,190	2,382,691
USD	160,202	392,538	78,886
	<u>11,832,287</u>	<u>10,203,728</u>	<u>2,461,577</u>

For the years ended 31 December 2010 and 2009 acquisition of financial assets available for sale from shareholders amounted to 1,514,462 thousand tenge and 6,530,536 thousand tenge, respectively (Note 44).

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**18. CASH AND CASH EQUIVALENTS**

As at 31 December 2010 and 2009 and 1 January 2009 cash and cash equivalents are as follows:

	31 December 2010	31 December 2009	1 January 2009
Cash in the National Bank of the Republik of Kazakhstan	12,961,272	7,540,411	6,706,181
Cash in banks	1,562,109	517,560	509,712
Petty cash	338,052	264,715	267,524
Cash in broker accounts	9,548	3,509	-
Cash in transit	-	-	6,568
	<u>14,870,981</u>	<u>8,326,195</u>	<u>7,489,985</u>

As at 31 December 2010 and 2009 and 1 January 2009 future cash inflows in amount of 300,000 thousand tenge, 300,000 thousand tenge and 90,220 thousand tenge were pledged to banks (Note 23).

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

	31 December 2010	31 December 2009	1 January 2009
Tenge	13,571,764	7,881,630	3,508,719
USD	1,273,606	285,762	3,947,071
Euro	20,795	53,762	11,142
Others	4,816	105,041	23,053
	<u>14,870,981</u>	<u>8,326,195</u>	<u>7,489,985</u>

**19. ASSETS CLASSIFIED AS HELD FOR SALE**

In 2008 the Group decided to sell 100% share in the subsidiary Sherfield Limited, with the sale transaction expected to be completed in 2011.

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, are as follows:

	31 December 2010	31 December 2009	1 January 2009
Other accounts receivable	222,968	225,459	170,123
Cash and cash equivalents	1,725	1,739	1,404
Taxes receivable and prepaid taxes	-	42	-
Assets classified as held for sale	<u>224,693</u>	<u>227,240</u>	<u>171,527</u>
Advances received	4,945	4,982	3,932
Other liabilities and accrued expenses	613	1,200	662
Taxes and non-budgetary payments to be made	49	49	-
Liabilities directly attributable to assets classified as held for sale	<u>5,607</u>	<u>6,231</u>	<u>4,594</u>

As at 31 December 2008 other accounts receivable include an adjustment of the interest-free loan received from a third party of 23,704 thousand tenge. In 2009 interest income was recognized in amount of 14,995 thousand tenge (Note 39).

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**20. SHARE CAPITAL**

As at 31 December 2010 and 2009 and 1 January 2009 share capital is as follows:

	31 December 2010		31 December 2009		1 January 2009	
	share	thousand tenge	share	thousand tenge	share	thousand tenge
E. A. Amirkhanov	33.33%	5,666,349	33.33%	5,161,528	33.33%	1,580,000
S. V. Kan	33.33%	5,666,349	33.33%	5,161,528	33.33%	1,580,000
A. Ya. Klebanov	33.34%	5,666,349	33.34%	5,161,529	33.34%	1,580,000
	<u>100%</u>	<u>16,999,047</u>	<u>100%</u>	<u>15,484,585</u>	<u>100%</u>	<u>4,740,000</u>

In 2010 Company shareholders contributed common shares of OIPAIM Zhetysu JSC of 1,514,462 thousand tenge (2009: 1,254,049 thousand tenge in cash, a building with an estimated value in amount of 460,000 thousand tenge, common shares of JSC PAVLODARENERGO and JSC NPF Ular Unit in amount of 2,500,000 thousand tenge and 6,530,536 thousand tenge, respectively).

**21. NON-CONTROLLING INTERESTS**

As at 31 December 2010 and 2009 and 1 January 2009 the non-controlling interests are as follows:

	31 December 2010	31 December 2009	1 January 2009
JSC CAEPCO (Note 1)	15,202,140	14,691,513	-
JSC Eximbank Kazakhstan	3,489,084	3,352,104	2,892,252
JSC PAVLODARENERGO	-	475,667	6,605,245
JSC Amanat Kazakhstan Pension Fund	<u>(160)</u>	<u>(160)</u>	<u>(160)</u>
	<u>18,691,064</u>	<u>18,519,124</u>	<u>9,497,337</u>

**22. BONDS ISSUED**

As at 31 December 2010 and 2009 and 1 January 2009 bonds issued are as follows:

Bonds	Maturity date	Interest rate %	31 December 2010	31 December 2009	1 January 2009
Bonds issued	December 2018	12.5%	17,099,006	18,010,596	1,830,000
Bonds issued	November 2013	9%	10,000,000	10,000,000	10,000,000
Bonds issued	July 2017	13%	7,901,620	7,901,720	2,323,810
Bonds issued	June 2012	9%	7,225,050	7,225,050	4,725,050
Bonds issued	July 2015	9%	2,534,720	-	-
Bonds issued	October 2020	12.5%	1,999,990	-	-
Bonds issued	December 2010	9%	1,980,700	1,977,870	1,977,870
Premium			85,617	-	145,314
Accrued interest on bonds issued			900,412	760,608	259,581
Discount on bonds issued			<u>(2,016,610)</u>	<u>(1,952,299)</u>	<u>(1,444,739)</u>
Repurchase of bonds issued			<u>(4,992,290)</u>	<u>(4,372,620)</u>	<u>(459,600)</u>
			<u>42,718,215</u>	<u>39,550,925</u>	<u>19,357,286</u>

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Bonds issued mature as follows:

	31 December 2010	31 December 2009	1 January 2009
Within one year	2,539,267	2,392,172	259,581
Within two and five years inclusive	15,946,217	14,983,788	16,702,920
Within five years and above	<u>24,232,731</u>	<u>22,174,965</u>	<u>2,394,785</u>
	<u>42,718,215</u>	<u>39,550,925</u>	<u>19,357,286</u>

As at 31 December 2010 bonds in amount of 1,638,855 thousand tenge and accrued interest of 900,412 thousand tenge (31 December 2009 and 1 January 2009: 1,631,564 thousand tenge and accrued interest of 760,608 thousand tenge and accrued interest of 259,581 thousand tenge, respectively), were presented in current liabilities.

**23. LOANS**

As at 31 December 2010 and 2009 and 1 January 2009 long-term loans are as follows:

	Interest rate	Currency	31 December 2010	31 December 2009	1 January 2009
JSC SB Sberbank (a)	11%-12%	Tenge	7,500,990	7,467,118	7,372,483
JSC European Bank of Reconstruction and Development (b)	Libor + 3%	USD	4,471,780	4,503,584	1,226,172
JSC Development Bank of Kazakhstan (c)	12.5%	Tenge	1,930,562	-	-
JSC Halyk Bank of Kazakhstan (d)	12.5%	Tenge	300,104	300,000	90,220
Loans under REPO agreements (e)	-	Tenge	-	532,012	1,491,754
World Bank	4.84%	USD	-	5,616	9,607
JSC Master Bank (f)	7%	Tenge	-	-	480,747
Astana Holding Corporation	-	Tenge	-	-	4,028
			14,203,436	12,808,330	10,675,011
Commission of opening a credit line			<u>(31,742)</u>	<u>(36,276)</u>	<u>(40,810)</u>
			<u>14,171,694</u>	<u>12,772,054</u>	<u>10,634,201</u>

(a) 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. On 26 October 2010 the Group concluded an additional agreement to agreement #01/10 whereby the credit limit was reduced to 3,365,600 thousand tenge. On 14 December 2010 the Group concluded an additional agreement to agreement #01/10 whereby the credit limit was increased to 4,900,000 thousand tenge and the interest rate was reduced from 12% to 11% per annum from the amount of the loan.

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 2011 and at interest rate of 12% per annum. On 26 October 2010 the Group concluded an additional agreement whereby the credit line was increased to 3,414,800 thousand tenge, extended the term of the credit line to 27 June 2014 and reduced the interest rate to 11% per annum.



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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. The interest rate on the loan is 12% per annum.

Interest on the loans is payable on a monthly basis.

As at 31 December 2010 property, plant and equipment with net book value of 12,228,698 thousand tenge (31 December 2009 and 1 January 2009: 11,919,378 thousand tenge and 3,922,874 thousand tenge, respectively) were provided as collateral on these loans (Note 8).

(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 with interest on the loan paid twice a year on 8 March and on 7 September.

As at 31 December 2010 property, plant and equipment with net book value of 7,971,526 thousand tenge (31 December 2009 and 1 January 2009: 8,091,645 thousand tenge and 7,837,782 thousand tenge, respectively) were pledged as collateral under this loan (Note 8).

(c) 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 for amount 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. As at 31 December 2010 the total liability to Development Bank of Kazakhstan amounted to 1,930,562 thousand tenge. The Company pays coupon at 12.5% rate on a semiannual basis.

(d) 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 2011. Interest on the loan is payable on a monthly basis.

As at 31 December 2010 property, plant and equipment with a net book value of 21,992 thousand tenge and cash inflows of 300,000 thousand tenge (31 December 2009 and 1 January 2009: cash inflows of 300,000 thousand tenge and 90,220 thousand tenge) were pledged as collateral under this loan (Notes 8 and 18).

(e) In December 2009 the Group transferred short-term state bonds of the Ministry of Finance of the Republic of Kazakhstan as collateral under REPO agreements and accepted the obligation to repurchase the bonds in January 2010. As at 31 December 2009 the REPO liability, including interest, amounted to 532,012 thousand tenge.

In 2008 the Group transferred 770,093 common shares of JSC Eximbank Kazakhstan and 67,200 short-term state bonds of the Ministry of Finance of the Republic of Kazakhstan as collateral under the REPO agreements and accepted the obligation to repurchase the securities in January 2009. As at 31 December 2008 the REPO liability, including interest, amounted to 1,491,754 thousand tenge

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(f) 23 December 2008 JSC Eximbank Kazakhstan (subsidiary) received a deposit from JSC Masterbank of 480,000 thousand tenge. The deposit matured 1 May 2009.

Loans mature in the following way:

	31 December 2010	31 December 2009	1 January 2009
Within one year	7,193,182	3,954,166	4,223,904
Within two and five years inclusive	6,346,797	5,164,162	4,166,876
More than five years	631,715	3,653,726	2,243,421
	<u>14,171,694</u>	<u>12,772,054</u>	<u>10,634,201</u>

As at 31 December 2010 and 2009 and 1 January 2009 loans to related parties amounted to 4,471,780 thousand tenge, 4,503,584 thousand tenge and 1,226,172 thousand tenge, respectively (Note 44).

**24. INCOME TAX**

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

	2010	2009
Current income tax	697,809	556,287
Deferred income tax	<u>2,172,566</u>	<u>975,273</u>
Total	<u>2,870,375</u>	<u>1,531,560</u>

As at 31 December 2010 and 2009 and 1 January 2009 deferred tax assets and liabilities are as follows:

	31 December 2010	31 December 2009	1 January 2009
<b>Deferred tax assets as a result of:</b>			
Losses carried forward	156,500	110,345	185,189
Provision for doubtful debts	156,052	81,669	101,981
Taxes payable	57,412	33,083	64,082
Ash dump restoration liabilities	41,410	19,472	30,345
Provision for unused vacation	35,477	24,136	26,832
Adjustments to the interest-free loan	21,089	15,195	-
Provision for obsolete of inventories	7,340	9,638	19,330
Other temporary differences	37,224	18,522	15,618
Total deferred tax assets	<u>512,504</u>	<u>312,060</u>	<u>443,377</u>
<b>Deferred tax liabilities as a result of:</b>			
Carrying value of property, plant and equipment	(6,596,184)	(2,518,218)	(3,457,736)
Revaluation of property, plant and equipment	(2,805,924)	(4,021,995)	(2,395,456)
Other temporary differences	(40,412)	(47,032)	(18,075)
Total deferred tax liabilities	<u>(9,442,520)</u>	<u>(6,587,245)</u>	<u>(5,871,267)</u>
Deferred tax liabilities, net including:	<u>(8,930,016)</u>	<u>(6,275,185)</u>	<u>(5,427,890)</u>
Deferred tax assets	120,344	50,852	40,058
Deferred tax liabilities	<u>(9,050,360)</u>	<u>(6,326,037)</u>	<u>(5,467,948)</u>

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	31 December 2010	31 December 2009	1 January 2009
<b>Unrecognised deferred tax assets and liabilities:</b>			
Losses carried forward	785,043	556,129	196,391
Provision for doubtful debts	34,609	9,780	-
Interest expenses on guarantee payments for additional capacity	-	20,104	-
Other temporary differences	480	3,221	5,150
	<u>820,132</u>	<u>589,234</u>	<u>201,541</u>
Carrying value of property, plant and equipment	(3,860)	(20,843)	(29,725)
Interest income on guarantee payments for additional capacity	-	(26,943)	-
	<u>(3,860)</u>	<u>(47,786)</u>	<u>(29,725)</u>
Deferred tax assets, net	<u>816,272</u>	<u>541,448</u>	<u>171,816</u>

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

As at 1 January	(6,275,185)	(5,427,890)
Recognized in:		
profit or loss	(2,172,566)	(975,273)
other comprehensive income	(495,325)	109,673
equity	13,060	18,305
As at 31 December	<u>(8,930,016)</u>	<u>(6,275,185)</u>

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:

	2010	2009
Tax rate	20%	20%
Profit before income tax from:		
Continuing operations	4,695,841	1,704,273
Discontinued operations	(396)	-
	<u>4,695,445</u>	<u>1,704,273</u>
Tax at the established tax rate	939,089	340,855
Change in tax rate	994,617	117,122
Tax effect of permanent differences	752,005	703,951
Change in unrecognised tax assets	274,824	369,632
Unused tax losses of previous years, recognized as deferred tax assets in the reporting year	(21,750)	-
Adjustment to corporate income tax for previous years	(68,410)	-
Income tax expense	<u>2,870,375</u>	<u>1,531,560</u>

Companies incorporate in the Republic of Kazakhstan pay income tax from the taxable profit according to the legislation of the Republic of Kazakhstan. In 2010 and 2009 the income tax rate was 20%. In 2009 tax legislation provided reduction for decreased rate to 17.5% in 2013 to 15% in 2014 and subsequent years. However during 2010 there were further changes and the rate was set at 20% from 1 January 2011 for subsequent years.

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**25. CUSTOMER ACCOUNTS**

As at 31 December 2010 and 2009 and 1 January 2009 customer accounts are as follows:

	31 December 2010	31 December 2009	1 January 2009
Demand deposits	16,569,248	1,429,961	9,390,958
Collateral deposits	8,642,248	11,401,703	-
Short-term deposits	7,761,116	2,048,575	1,071,270
Long-term deposits	6,409,433	4,057,309	9,011,615
Deposits of banks and other finance institutes	1,034,585	-	-
Guarantee deposits	-	151,499	1,319,488
	<u>40,416,630</u>	<u>19,089,047</u>	<u>20,793,331</u>
Within one year	33,555,352	6,524,240	11,008,710
Within two to five years inclusive	<u>6,861,278</u>	<u>12,564,807</u>	<u>9,784,621</u>
	<u>40,416,630</u>	<u>19,089,047</u>	<u>20,793,331</u>

An analysis of customer accounts per currency is as follows:

	31 December 2010	31 December 2009	1 January 2009
Tenge	36,313,533	13,045,061	17,018,848
USD	4,090,678	5,502,523	3,741,367
Euro	3,987	435,169	33,116
Other	<u>8,432</u>	<u>106,294</u>	<u>-</u>
	<u>40,416,630</u>	<u>19,089,047</u>	<u>20,793,331</u>

As at 31 December 2010 and 2009 and 1 January 2009 the customer accounts of related parties amounted to 634,550 thousand tenge, 351,013 thousand tenge and 28,269 thousand tenge, respectively (Note 44).

**26. SUBORDINATED DEBT**

As at 31 December 2010 and 2009 and 1 January 2009 subordinated debt is as follows:

	31 December 2010	31 December 2009	1 January 2009
Present value of guaranteed dividends on preference shares	1,800,196	1,818,128	1,818,128
Accrued dividends on preference shares (Note 33)	<u>198,027</u>	<u>198,028</u>	<u>200,000</u>
	<u>1,998,223</u>	<u>2,016,156</u>	<u>2,018,128</u>

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.

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**27. LONG-TERM ACCOUNTS PAYABLE**

As at 31 December 2010 and 2009 and 1 January 2009 long-term accounts payable are as follows:

	31 December 2010	31 December 2009	1 January 2009
Guarantee payment for additional capacity	389,958	393,768	395,749
Discount on guarantee payments for additional capacity	(266,394)	(281,454)	(301,803)
Change in estimates	-	-	6,379
Current portion of guarantee payments for additional capacity	<u>(11,195)</u>	<u>(3,195)</u>	<u>-</u>
	<u>112,369</u>	<u>109,119</u>	<u>100,325</u>

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 37<sup>th</sup> 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 2010 the Group recognized fair value adjustment of 262,238 thousand tenge (31 December 2009 and 1 January 2009: 278,517 thousand tenge and 293,610 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 2010 the liability on return of the guarantee fees for additional capacity amounted to 72,288 thousand tenge (31 December 2009 and 1 January 2008: 106,269 thousand tenge and 159,312 thousand tenge, respectively), which is recorded within other liabilities (Note 33).

The amortization of the discount for the years ended 31 December 2010 and 2009 was recognized within finance costs of 9,887 thousand tenge and 12,147 thousand tenge, respectively (Note 40).

**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 2010 and 2009 and 1 January 2009 the Group evaluated the total ash disposal area restoration liability at amortized cost of 207,051 thousand tenge, 128,685 thousand tenge and 194,167 thousand tenge, respectively. This liability was discounted at effective interest rate of 12%-14%.

As at 31 December 2010 and 2009 and 1 January 2009 ash dump restoration liabilities were presented as follows:

	31 December 2010	31 December 2009	1 January 2009
Current portion	20,661	11,080	16,380
Long-term portion	<u>186,390</u>	<u>117,605</u>	<u>177,787</u>
	<u>207,051</u>	<u>128,685</u>	<u>194,167</u>

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Movements of the ash dump restoration liabilities for the years ended 31 December are as follows:

	2010	2009
At 1 January	128,685	194,167
Finance cost (Note 40)	18,913	15,652
Restored during the year	(13,685)	(11,080)
Change in estimate	73,138	(70,054)
At 31 December	<u>207,051</u>	<u>128,685</u>

**29. EMPLOYEE BENEFIT OBLIGATIONS**

As at 31 December 2010 and 2009 and 1 January 2009, 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 2010 and 2009 and 1 January 2009, the total employee benefit obligation of the Group comprised:

	31 December 2010	31 December 2009	1 January 2009
Liability that matures after one year	68,367	62,571	73,761
Liability that matures during the year	6,910	5,773	6,203
	<u>75,277</u>	<u>68,344</u>	<u>79,964</u>

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

	31 December 2010	31 December 2009
Total liabilities at the beginning of the year	68,344	79,964
Current service costs	7,831	16,804
Interest cost	4,872	7,546
Payments for the year	(11,205)	(8,321)
Actuarial loss/(gain) recognized for the year	5,435	(27,649)
Total liabilities at the end of the year	<u>75,277</u>	<u>68,344</u>

The current service cost, interest cost and actuarial loss were recognized in other expenses of cost of sales and general and administrative expenses in the amount of 5,996 thousand tenge and 12,142 thousand tenge, respectively (actuarial income in 2009: 125 thousand tenge and 3,174 thousand tenge, respectively).

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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:

	2010	2009
Discount rate	7.87%	7.13%
Expected annual growth of the minimum computation index	7.00%	7.00%
Expected annual growth of the minimum salary in the future	9-10%	9-10%

**30. TRADE ACCOUNTS PAYABLE**

As at 31 December 2010 and 2009 and 1 January 2009 trade accounts payable are as follows:

	31 December 2010	31 December 2009	1 January 2009
For goods purchased	3,699,842	3,802,511	758,826
For work and services provided	529,494	582,891	2,637,284
For property, plant and equipment, repair and construction services	240,037	99,782	150,648
Others	21,356	9,836	7,039
	<u>4,490,729</u>	<u>4,495,020</u>	<u>3,553,797</u>

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

	31 December 2010	31 December 2009	1 January 2009
Tenge	4,448,186	4,495,020	3,553,797
USD	39,912	-	-
Other	2,631	-	-
	<u>4,490,729</u>	<u>4,495,020</u>	<u>3,553,797</u>

As at 31 December 2010 and 2009 and 1 January 2009 trade accounts payable to related parties amounted to 10,225 thousand tenge, nil and 1,212 thousand tenge, respectively (Note 44).

**31. ADVANCES RECEIVED**

As at 31 December 2010 and 2009 and 1 January 2009 advances received of 1,674,692 thousand tenge, 1,351,699 thousand tenge and 1,518,370 thousand tenge predominantly included advances received for electricity and heat and other services.

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**32. TAXES PAYABLE AND NON-BUDGETARY PAYMENTS**

As at 31 December 2010 and 2009 and 1 January 2009 taxes and non-budgetary payments are as follows:

	31 December 2010	31 December 2009	1 January 2009
VAT	175,222	280,972	475,804
Environmental protection tax	165,690	126,119	266,771
Individual income tax	65,174	43,354	77,962
Withholding Tax	64,713	-	73,271
Social tax	29,828	20,370	85,734
Penalties	-	67,295	550,862
Others	20,489	59,255	37,716
	<u>521,116</u>	<u>597,365</u>	<u>1,568,120</u>

**33. OTHER LIABILITIES AND ACCRUED EXPENSES**

As at 31 December 2010 and 2009 and 1 January 2009 other liabilities and accrued expenses are as follows:

	31 December 2010	31 December 2009	1 January 2009
Debt to employees	264,243	255,903	274,528
Provisions for unused vacation	200,529	189,346	164,746
Accrued dividends on preference shares (Note 26)	198,027	198,028	200,000
Fines	118,277	9,183	48,813
Provision for the impairment of contingent liabilities	96,593	46,110	5,616
Guarantee payments (Note 27)	72,288	106,269	159,312
Pension contributions	67,170	63,615	67,115
Prepaid commission for guarantees issued	66,328	27,070	2,094
Accrued expenses	19,996	6,694	10,441
Current portion of guarantee payments (Note 27)	11,195	3,195	-
Insurance liabilities	10,639	9,191	9,898
Debt on documentary calculations	-	190,119	418,689
Share debt	-	-	1,508,376
Interest-free loan	-	-	1,085,881
Others	283,773	57,624	270,220
	<u>1,409,058</u>	<u>1,162,347</u>	<u>4,225,729</u>
Adjustment to the interest-free loan received to fair value	-	-	(54,585)
	<u>1,409,058</u>	<u>1,162,347</u>	<u>4,171,144</u>

30 June 2010 the Group shareholders provided interest free financial aid in amount 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%. 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. The Company also recognised interest expense in amount of 55,057 thousand tenge (Note 40).



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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

In 2008, the Company received a loan from a Group shareholder in amount of 2,388,547 thousand tenge and repaid 1,997,716 thousand tenge. Company recognised an interest-free loan at amortized cost with effective interest rate of 16.3%. As a result, the Group recorded in its consolidated statement of changes in equity the fair value adjustment on this loan to 41,623 thousand tenge and the deferred tax effect of 10,448 thousand tenge.

In 2008, the Group received an interest-free loan from Capital Import Corp LLP in amount of 1,209,800 thousand tenge and repaid 514,750 thousand tenge. The Company recognised an interest-free loan at amortized cost with effective interest rate of 16.3%. In 2009 the loans were repaid and interest income was recognized in amount of 54,585 thousand tenge (Note 40).

In 2007 the Company purchased 23,599,957 shares in JSC PAVLODARENERGO from Dorington Investment Limited and Ekibastuzskoe Teplo LLP for 2,359,996 thousand tenge. In 2009 a liability of 1,508,376 thousand tenge was repaid.

As at 31 December 2010 and 2009 and 1 January 2009 other liabilities and accrued expenses to related parties amounted to nil, nil and 1,031,296 thousand tenge, respectively (Note 44).

As at 31 December 2010 and 2009 and 1 January 2009 other liabilities and accrued expenses were denominated in tenge.

#### 34. DEFERRED REVENUE

As at 31 December 2010 and 2009 and 1 January 2009, deferred revenue of 262,238 thousand tenge, 278,517 thousand tenge and 293,610 thousand tenge, respectively, represent an adjustment of guarantee deposits for turning on additional capacity decreased by accrued interest income for 2010 of 13,606 thousand tenge (2009: 13,267 thousand tenge) (Note 39) and the effect of change in estimate.

#### 35. REVENUE

Revenue for the years ended 31 December is as follows:

	2010	2009
<b>Electricity and heat production and other</b>		
Sale of electricity	33,049,491	23,612,023
Sale of heat	12,428,069	11,132,829
Electricity transmission	6,008,770	5,752,976
Heat transmission	3,400,639	3,183,052
Others	311,187	387,063
	<u>55,198,156</u>	<u>44,067,943</u>
<b>Financial services</b>		
Interest on loans and advance provided to customers	8,070,115	6,770,336
Income from services and commission	1,138,231	638,476
Interest on securities held for sale	78,806	123,436
Interest on loans and advances provided to banks	60,680	41,276
Others	6,977	6,606
	<u>9,354,809</u>	<u>7,580,130</u>
	<u>64,552,965</u>	<u>51,648,073</u>

In 2010 and 2009 revenue from operations with related parties amounted to 463,071 thousand tenge and 29,485 thousand tenge respectively (Note 44).

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**36. COST OF SALES**

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

	<b>2010</b>	<b>2009</b>
<b>Production of electricity and heat and other</b>		
Electricity and heat purchased for sale	18,785,792	16,216,736
Fuel	8,456,188	6,931,279
Payroll expenses and related taxes	4,261,569	3,681,412
Services received	3,637,071	3,365,616
Inventories	2,814,748	2,546,224
Depreciation and amortisation	2,751,923	2,575,735
Transmission of electricity and heat, acquired for resale	300,016	149,628
Technical losses	15,815	11,379
Others	1,281,981	1,013,241
	<u>42,305,103</u>	<u>36,491,250</u>
<b>Financial services</b>		
Interest on bonds issued	1,875,885	1,616,412
Interest on customer accounts	677,311	811,781
Interest on preference shares	198,027	198,027
Interest on bank loans	59,287	10,184
Expenses on services and commission	7,978	11,375
Interest on credit from other organisations	184	473
	<u>2,818,672</u>	<u>2,648,252</u>
	<u>45,123,775</u>	<u>39,139,502</u>

In 2010 and 2009 cost of financial services from operations with related parties amounted to 4,135 thousand tenge and 688,117 thousand tenge, respectively (Note 44).

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**37. GENERAL AND ADMINISTRATIVE EXPENSES**

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

	2010	2009
Payroll expenses and related taxes	2,857,958	2,538,222
Accrual of provision for doubtful debts (Notes 13, 14 and 16)	1,190,711	450,959
Taxes, except for income tax	672,465	546,715
Consulting services	326,074	104,938
Communications expenses	320,264	137,045
Depreciation and amortisation	264,086	331,092
Technical losses and expenses on customer stations	249,660	59,969
Security expenses	235,224	202,886
Lease and technical maintenance	156,098	160,073
Inventories	151,325	117,094
VAT on heat and electricity losses	122,738	89,680
Sponsorship and financial aid	110,878	97,918
Business trip expenses	101,679	102,418
Transportation	92,442	168,551
Bank commission	83,577	91,361
Legal and audit services	69,153	83,856
Professional contributions	64,813	46,254
Insurance	17,917	10,520
Accrual/(recovery) of the provision for the obsolete of inventories (Note 12)	11,545	(12,127)
Provision for unused vacations (Note 33)	11,183	24,600
Fines and penalties	7,684	192,639
Repair of property, plant and equipment	1,881	130,364
Accrual of the provision for other non-current assets (Note 11)	-	98,912
Others	777,825	586,939
	<u>7,897,180</u>	<u>6,360,878</u>

In 2010 and 2009 operations with related parties amounted to 51,577 thousand tenge and 30,228 thousand tenge, respectively (Note 44).

**38. SELLING EXPENSES**

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

	2010	2009
Payroll expenses and related taxes	300,866	270,636
Electricity dispatcher services	269,956	179,647
Transportation	131,775	119,095
Bank commission	73,048	61,485
Inventories	25,346	19,157
Security expenses	18,920	17,431
Lease expenses	18,210	10,309
Depreciation and amortisation	16,605	14,737
Communications services	8,317	6,370
Business trip expenses	3,517	4,648
Others	41,144	90,305
	<u>907,704</u>	<u>793,820</u>

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**39. OTHER INCOME**

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

	2010	2009
Income from penalties	374,993	562,713
Income from the purchase of bonds	304,278	239,923
Interest income from financial aid (Notes 16 and 19)	90,683	30,546
Income from the sale of inventories, net	83,980	62,118
Lease income	71,170	93,508
Income from the write off of accounts payable	51,272	27,997
Income from inventories identified during a stock count	36,120	64,528
Interest income from guarantee payments (Note 34)	13,606	13,267
Income from the disposal of property, plant and equipment	7,557	6,997
Income from construction and assembly work	5,939	17,730
Factoring transactions expense	-	(49,640)
Lease expenses	(32,000)	(54,178)
Depreciation expenses on property, plant and equipment transferred to operating lease	(46,347)	(46,857)
Others	86,396	90,018
	<u>1,047,647</u>	<u>1,058,670</u>

Other operating income for the years ended 31 December 2010 and 2009 of 374,993 thousand tenge and 562,713 thousand tenge, respectively, consists of income from penalties for a failure to comply with contractual conditions with respect to the use of electricity and heat in excess of the norms accrued by the Group as a result of a court decision.

**40. FINANCE COSTS**

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

	2010	2009
Interest expenses attributable to issued bonds	3,128,498	1,951,454
Interest expenses attributable to bank loans	797,019	910,823
Interest expenses on the interest-free loan received from a Group shareholder (Note 33)	55,057	54,585
Interest expenses attributable to REPO operations with shares	-	19,221
Interest expenses attributable to an obligation to restore ash dumps (Note 28)	18,913	15,652
Interest expenses on guarantee payments (Note 27)	9,887	12,147
Expense on opening of credit line of EBRD	-	90
Changes in the estimate to restore the ash dumps	78,316	(63,038)
	<u>4,087,690</u>	<u>2,900,934</u>

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**41. 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:

	2010	2009
Trade income from operations with financial assets recorded at fair value through profit or loss		
- Shares	189,696	350,688
- Dividends	147,659	1,105
- Financial instruments	(53,340)	-
- Bonds	-	(10,328)
	<u>          </u>	<u>          </u>
Adjustments to the fair value of financial assets recorded at fair value through profit or loss		
- Bonds	-	(23,104)
- Shares	(100,508)	(195,079)
	<u>          </u>	<u>          </u>
Total net income on operations with financial assets recorded at fair value through profit or loss	<u>183,507</u>	<u>123,282</u>

**42. LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS**

In 2010 the Company sold 100% share in Exim Leasing Kazakhstan LLP for 103 thousand tenge, total loss for the year from discontinued operations amounted to 396 thousand tenge.

**43. 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.

	2010	2009
Net profit/(loss), attributable to Shareholders	812,820	(63,269)
Weighted average number of common shares for calculating basic earnings per share	<u>30,631,026</u>	<u>24,751,446</u>
Profit/(loss) per share, tenge	<u>26.54</u>	<u>(2.56)</u>

Balance value per share by type of shares as at 31 December 2010 and 2009 is presented below.

Type of shares	Quantity of shares placed	31 December 2010 Net assets, excluding intangible assets	Balance value per share, in tenge
Common shares	30,946,539	<u>64,762,577</u>	2,092.72
		<u>64,541,574</u>	

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Type of shares	Quantity of shares placed	31 December 2009 Net assets, excluding intangible assets	Balance value per share, in tenge
Common shares	30,000,000	63,114,332	2,103.81
		<u>63,114,332</u>	

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

#### 44. 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 2010, the Group had substantial transactions with the following related parties:

Name of the related party	Relationship
Erkyn Adamyanovich Amirkhanov	Major shareholder of JSC CAPEC
Alexandr Yakovlevich Klebanov	Major shareholder of JSC CAPEC
Sergei Vladimirovich Kan	Major shareholder of JSC CAPEC
JSC European Bank of Reconstruction and Development	Shareholder of CAEPCo
JSC Cumulative Pension Fund Ular Umit	JSC CAPEC has 25% +1 share
JSC OIPAIM Zhetyysu	JSC CAPEC has 25% +1 share
JSC Joint Investment Fund for Risk Investment CAPEC Invest	E. A. Amirkhanov, A. Ya. Klebanov and S. V. Kan are major shareholders
CAPEC Investment Group LLP	E. A. Amirkhanov, A. Ya. Klebanov and S. V. Kan are major shareholders
Enter Unit LLP	Sole shareholder – Erzhan Adamyanovich Amirkhanov, brother of Erkyn Adamyanovich Amirkhanov
MacCentre Kazakhstan LLP	Sole shareholder – Erzhan Adamyanovich Amirkhanov, brother of Erkyn Adamyanovich Amirkhanov
IPOINT LLP	Subsidiary of MacCenter Kazakhstan LLP
ALASH MEDIA GROUP LLP	A. Ya. Klebanov is the sole shareholder
Pechatniye Technologii LLP	Subsidiary of ALASH MEDIA GROUP LLP
Tolgau LLP	Subsidiary of ALASH MEDIA GROUP LLP
INTER-RADIO LLP	Subsidiary of ALASH MEDIA GROUP LLP
Abyroi Corporate Fund for the Development of Kazakh Culture	Subsidiary of ALASH MEDIA GROUP LLP
Alash Service LLP	Subsidiary of ALASH MEDIA GROUP LLP
ERA Television Company LLP	Subsidiary of ALASH MEDIA GROUP LLP
Effective Media Liaison LLP	Subsidiary of ALASH MEDIA GROUP LLP
JSC Joint Stock Investment Fund for Risk Investment Karazhat Invest	S. V. Kan holds 34%
Circle Maritime Invest LLP	Subsidiary of JSC Joint Stock Investment Fund for Risk Investment Karazhat Invest
Caspian Offshore Construction LLP	Subsidiary of JSC Joint Stock Investment Fund for Risk Investment Karazhat Invest
KGNT HOLDING LLP	A. Ya. Klebanov holds 33% S. V. Kan holds 34%
KGNT-AKER KVAERNER LLP	Subsidiary of KGNT HOLDING LLP (50%)
TOO «KGNT INTERNATIONAL»	Subsidiary of KGNT HOLDING LLP (80%)
JSC Kaustik	E. A. Amirkhanov is a Chairmen of Board of Directors

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In 2010 and 2009 the Group had significant transactions with the following related parties:

*Acquisition and (or) transfer of property, plant and equipment (Note 8)*

	2010	2009
MacCentre Kazakhstan LLP	26,940	31,870
Enter Unit LLP	2,523	-
Shareholders	-	460,000
	<u>29,463</u>	<u>491,870</u>

*Loans to customers (Note 10)*

	31 December 2010	31 December 2009	1 January 2009
Kaustik JSC	4,322,970	-	-
E.A. Amirkhanov	478,926	-	-
MacCentre Kazakhstan LLP	406,004	254,739	197,184
A.Ya. Klebanov	326,581	-	-
S. V. Kan	174,958	196,293	170,000
Key management of Eximbank Kazakhstan JSC	78,385	67,658	-
Kompstroj LLP	-	-	5,904
Provision for the impairment of loans	-	-	(295)
	<u>5,787,824</u>	<u>518,690</u>	<u>372,793</u>

*Acquisition of inventories (Note 12)*

	2010	2009
MacCentre Kazakhstan LLP	2,827	373
Enter Unit LLP	64	121
	<u>2,891</u>	<u>494</u>

*Trade accounts receivable (Note 13)*

	31 December 2010	31 December 2009	1 January 2009
MacCentre Kazakhstan LLP	170	109	123
Enter Unit LLP	18	18	1,641
	<u>188</u>	<u>127</u>	<u>1,764</u>

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*Advances paid (Note 14)*

	31 December 2010	31 December 2009	1 January 2009
Energokomplekt PV LLP	180,000	-	-
MacCentre Kazakhstan LLP	1,086	2,659	-
	<u>181,086</u>	<u>2,659</u>	<u>-</u>

*Other accounts receivable (Note 16)*

	31 December 2010	31 December 2009	1 January 2009
Amirkhanov E.A.	250,646	-	-
Energokomplekt PV LLP	64,210	25,647	-
Payables to key personnel of JSC PAVLODARENERGO	-	450	115,210
SEVKAZENERGO ATP	-	-	40,370
	<u>314,856</u>	<u>26,097</u>	<u>155,580</u>

*Acquisition and (or) transfer of other financial assets (Note 17)*

	2010	2009
Shareholders	1,514,462	6,530,536
	<u>1,514,462</u>	<u>6,530,536</u>

*Loans (Note 23)*

	31 December 2010	31 December 2009	1 January 2009
European Bank of Reconstruction and Development JSC	4,471,780	4,503,584	1,226,172
	<u>4,471,780</u>	<u>4,503,584</u>	<u>1,226,172</u>

*Customer accounts (Note 25)*

	31 December 2010	31 December 2009	1 January 2009
ERA Television Company LLP	229,211	47,564	-
JSC OIPAIM Zhetyssu	182,472	-	-
ALASH MEDIA GROUP LLP	157,141	241,489	-
MacCentre Kazakhstan LLP	24,955	30,085	17,228
Rakhat Television Company LLP	22,765	-	-
Other	18,006	31,875	11,041
	<u>634,550</u>	<u>351,013</u>	<u>28,269</u>



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*Trade accounts payable (Note 30)*

	31 December 2010	31 December 2009	1 January 2009
MacCentre Kazakhstan LLP	7,630	-	-
Enter Unit LLP	2,595	-	-
SEVKAZENERGO ATP	-	-	1,212
	<u>10,225</u>	<u>-</u>	<u>1,212</u>

*Other liabilities and accrued expenses (Note 33)*

	31 December 2010	31 December 2009	1 January 2009
E. A. Amirkhanov	-	-	390,831
Capital Import Corp. LLP	-	-	695,050
	<u>-</u>	<u>-</u>	<u>1,085,881</u>
Adjustment to fair value of the interest-free loan	-	-	(54,585)
	<u>-</u>	<u>-</u>	<u>1,031,296</u>

*Guarantees issued*

	31 December 2010	31 December 2009	1 January 2009
MacCentre Kazakhstan LLP	44,250	-	5,000
Enter-Unit LLP	-	-	1,770
E. A. Amirkhanov	-	-	14,616
	<u>44,250</u>	<u>-</u>	<u>21,386</u>

The following amounts during transactions with related parties are included in the consolidated statement of comprehensive income for the years ended 31 December:

*Revenue - Financial services (Note 35)*

	2010	2009
Kaustik JSC	306,225	-
MacCentre Kazakhstan LLP	57,552	7,349
E. A. Amirkhanov	37,926	-
A. Ya. Klebanov	32,632	-
S. V. Kan	19,425	20,343
Key management of Eximbank Kazakhstan JSC	7,073	-
KOMPSTROY LLP	488	-
	<u>461,321</u>	<u>27,692</u>

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*Revenue - Production of electricity and heat and other (Note 35)*

	2010	2009
MacCentre Kazakhstan LLP	1,565	86
Enter-Unit LLP	<u>185</u>	<u>1,707</u>
	<u>1,750</u>	<u>1,793</u>

*Cost of finance services (Note 36)*

	2010	2009
ERA Television Company LLP	2,252	686,630
MacCentre Kazakhstan LLP	1,217	-
ALASH MEDIA GROUP LLP	<u>666</u>	<u>1,487</u>
	<u>4,135</u>	<u>688,117</u>

*General and administrative expenses (Note 37)*

	2010	2009
IPOINT LLP	39,909	-
MacCentre Kazakhstan LLP	9,351	1,534
Enter-Unit LLP	2,317	28,659
E. A. Amirkhanov	<u>-</u>	<u>35</u>
	<u>51,577</u>	<u>30,228</u>

*Key management personnel*

In 2010 the remuneration of the Board of Directors and other key Group personnel amounted to 453,287 thousand tenge (2009: 361,501 thousand tenge).

**45. 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.

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*Categories of financial instruments* – As at 31 December 2010 and 2009 and 1 January 2009 financial instruments are as follows:

	31 December 2010	31 December 2009	1 January 2009
<i>Financial assets</i>			
Other financial assets (Note 17)	11,832,287	10,203,728	2,461,577
Loans to customers (Note 10)	67,034,634	54,247,014	37,845,368
Trade accounts receivable (Note 13)	6,088,623	5,539,044	4,436,925
Other accounts receivable (Note 16)	2,019,631	1,398,514	525,166
Cash and cash equivalents (Note 18)	14,870,981	8,326,195	7,489,985
<i>Financial liabilities</i>			
Bonds issued (Note 22)	42,718,215	39,550,925	19,357,286
Loans (Note 23)	14,171,694	12,772,054	10,634,201
Finance lease liability	-	-	1,583
Customer accounts (Note 25)	40,416,630	19,089,047	20,793,331
Subordinated debt (Note 26)	1,800,196	1,818,128	1,818,128
Long-term accounts payable (Note 27)	112,369	109,119	100,325
Trade accounts payable (Note 30)	4,490,729	4,495,020	3,553,797
Other liabilities (Note 33)	1,013,191	843,226	3,738,188

*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 2009.

*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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010 (in thousand tenge)

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**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 2010 would decrease/increase by 44,805 thousand tenge (2009: 32,469 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 fulfil their obligations.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Management Board of the Bank. 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 Bank 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 Bank. 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 Bank obtains collateral and corporate and personal guarantees. Risks are monitored on a continuous basis and subject to annual or more frequent reviews.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousand tenge)

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 Bank 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 Bank 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 Bank 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 Bank's interest rate position, which provides the Bank with a positive interest margin. The Treasury Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

All of the Bank'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.

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 2010 and 2009. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010**  
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	USD effect	
	2010	2009
Financial assets	(495,493)	(621,991)
Financial liabilities	856,246	1,001,172

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

	Financial assets		Financial liabilities	
	2010	2009	2010	2009
USD	4,954,926	6,219,909	8,562,458	10,011,723
Euro	20,795	53,762	3,987	435,169

**Liquidity risk** –The Group manages liquidity risks by maintaining sufficient reserves, bank borrowings and available credit lines by means of constant monitoring of budgeted and actual cash flow and comparing of 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.

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
<b>2010</b>						
<i>Interest free:</i>						
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)
<i>Interest:</i>						
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	Libor+3%-12.5%	(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)

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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	Weighted average effective interest rate	Up to one year	1-5 years	Over 5 years	Overdue	Total
<b>2009</b>						
<i>Interest free:</i>						
Trade accounts receivable	-	5,539,044	-	-	1,324,795	6,863,839
Other accounts receivable	-	1,474,488	-	-	148,779	1,623,267
Trade accounts payable	-	(4,495,020)	-	-	-	(4,495,020)
Other liabilities and accrued expenses	-	(843,226)	-	-	-	(843,226)
<i>Interest:</i>						
Loans to customers	12-23%	28,683,769	41,670,826	6,061,817	-	76,416,412
Bonds issued	9%-13%	(7,202,109)	(26,127,309)	(33,848,499)	-	(67,177,917)
Loans	12.5%-16%	(4,702,408)	(9,012,977)	(1,996,004)	-	(15,711,389)
Customer accounts	5.79%	(11,416,290)	(15,817,923)	(381,000)	-	(27,615,213)
Long-term accounts payable	12.5-14.4%	(3,195)	(70,646)	(319,927)	-	(393,768)

**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.

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 2010		31 December 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt securities issued	42,718,215	39,393,196	39,550,925	37,369,572
Subordinated debt	1,998,223	1,619,787	2,016,156	2,098,790

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
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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).

Class of financial asset:

	<b>31 December 2010</b>	<b>31 December 2009</b>
	<b>Level 1</b>	<b>Level 1</b>
Financial assets recorded at fair value through profit or loss (Note 17)	2,556,517	2,535,374
Financial assets available for sale (Note 17)	1,065,912	1,125,053
	<b>Level 2</b>	<b>Level 2</b>
Financial assets available for sale (Note 17)	5,918	12,765
	<b>Level 3</b>	<b>Level 3</b>
Financial assets available for sale (Note 17)	8,044,995	6,530,536
Other financial assets (Note 17)	158,945	-

During 2010 there were no transfers of securities within Levels.



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### 46. 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.

**Prudential norms** – In accordance with the banking legislation of Republic of Kazakhstan the Agency on Financial Supervision imposes requirements on banking holdings (to which the Group relates) in relation of compliance with prudential norms and other limits which include the following:

- Minimum size of the share capital;
- Coefficient of capital sufficiency;
- Maximum size for one lender.

The management of the group believes that Group complied with all requirements and prudential norms as at 31 December 2010.

**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 2010 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. In 2009 JSC PAVLODARENERGO and JSC SEVKAZENERGO, subsidiaries, introduced a system of ecological management according to the requirements of International Standard IOC 14001:2004.

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 2010 and 2009, JSC PAVLODARENERGO, 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.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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**Capital commitments** – JSC PAVLODARENERGO, a subsidiary, developed and agreed with the Agency of the Republic of Kazakhstan on regulation of natural monopolies (the “Agency”) the plan of capital investments for 2007-2013. Pursuant to this plan, JSC PAVLODARENERGO is to invest 8,000,000 thousand tenge into production assets. In 2009 JSC PAVLODARENERGO developed and agreed with the Agency and the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan additional investment program of reconstruction and technical upgrade for 2010-2015, whereby JSC PAVLODARENERGO is to invest 21,769,470 thousand tenge into production assets. In October 2008 JSC Pavlodar Regional Electric Distribution Network Company, a subsidiary of JSC PAVLODARENERGO, agreed with the Agency the investment program for 2009-2013, whereby the subsidiary plans to invest approximately 3,957,000 thousand tenge.

On 20 December 2010 the Ministry of Industry and New Technologies of the Republic of Kazakhstan and JSC SEVKAZENERGO, a subsidiary, concluded an agreement on investment obligations of JSC SEVKAZENERGO for 2011. Under this agreement JSC SEVKAZENERGO is to invest 3,550,461 thousand tenge into construction, upgrade and acquisition of property, plant and equipment to the end of 2011 (2009: 2,011,000 thousand tenge). The Group has no obligations in case of a failure to fulfill these programs.

**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 2010 the CAEPCO, the subsidiary, entered into a subscription agreement with the EBRD whereby the whereby EBRD acquired 24.88% shares of the Company (Note 1). Pursuant to the terms of the agreement the Group is to meet a number of terms. Management of the Group believes that as at 31 December 2010 the Group did not violate any terms of the agreement and met all the requirements.

#### 47. PENSION ASSETS IN THE BALANCE SHEET

Net pension assets comprised:

	31 December 2010	31 December 2009
<b>ASSETS</b>		
Cash and cash equivalents	759,793	175,416
Due from banks	1,022,361	-
Financial assets at fair value through profit or loss	18,914,068	39,370,228
Investments available-for-sale	24,578,866	-
Investments held to maturity	-	512,129
Reverse repurchase agreements	4,600,049	-
Accounts receivable	877,846	55
<b>TOTAL ASSETS</b>	<b>50,752,983</b>	<b>40,057,828</b>
<b>LIABILITIES:</b>		
Commission fees payable	94,996	41,281
Other accounts payable	3,325	9,062
<b>TOTAL LIABILITIES</b>	<b>98,321</b>	<b>50,343</b>
<b>NET PENSION ASSETS</b>	<b>50,654,662</b>	<b>40,007,485</b>

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Due from banks comprised:

	31 December 2010	31 December 2009
JSC Kazkommertsbank	1,022,361	-
<b>Total due from banks</b>	<b>1,022,361</b>	<b>-</b>

Financial assets at fair value through profit or loss comprised:

	31 December 2010	31 December 2009
Corporate bonds	8,720,878	17,257,645
Shares of Kazakhstani companies	6,186,169	6,707,648
Securities of foreign companies	2,314,073	2,352,639
Bonds of the Ministry of Finance of the Republic of Kazakhstan	872,403	12,237,954
Shares of foreign companies	820,545	814,342
<b>Total financial assets at fair value through profit or loss</b>	<b>18,914,068</b>	<b>39,370,228</b>

Corporate bonds include corporate bonds of the following companies:

	31 December 2010	31 December 2009
LLP Corporation APC-Invest	2,124,588	2,128,637
JSC PAVLODARENERGO	1,896,123	2,071,584
JSC Nurbank	1,257,873	2,516,467
JSC Central-Asian Power-Energy Company	1,039,978	1,233,060
JSC Tsesnabank	786,551	861,899
JSC Astana Nedvizhimost	779,156	814,935
JSC SAT & Company	562,476	590,755
JSC Bank Center Credit	122,332	153,671
JSC Imstaleon	58,898	456,245
JSC Kaspi Bank	49,913	347,389
JSC Eurasian Bank	42,990	355,393
JSC Astana Finance	-	2,689,080
JSC Kazneftehim	-	843,312
JSC BTA Ipoteka	-	779,772
JSC Alliance Bank	-	339,717
JSC Temirbank	-	323,005
JSC Batys Transit	-	258,857
LLP KSMK-2	-	133,216
JSC Doszhan Temir Zholy	-	125,242
JSC ABDI Company	-	124,182
JSC Ornek XXI	-	57,843
JSC Ecoton+	-	34,980
JSC VITA	-	15,476
JSC Kazakhstan Mortgage Company	-	2,916
JSC SB Sberbank of Russia	-	8
JSC Corporation Ordabasy	-	4
	<b>8,720,878</b>	<b>17,257,645</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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Shares of Kazakhstani companies include:

	31 December 2010	31 December 2009
JSC SAT & Company	2,487,434	3,062,627
JSC Tsesnabank	1,171,722	1,343,751
JSC Eximbank Kazakhstan	1,165,829	642,931
JSC Nurbank	721,216	827,680
JSC Kazakhtelecom	284,239	217,987
JSC ROSA	115,485	146,873
JSC Bank Center Credit	124,706	128,223
JSC Kazkommertsbank	109,000	159,163
JSC Alliance Bank	6,537	174
JSC BTA Bank	1	360
JSC Corporation Ordabasy	-	177,879
	<u>6,186,169</u>	<u>6,707,648</u>

Securities of foreign companies comprise:

	31 December 2010	31 December 2009
Merrill Lynch & Co. Inc.	2,314,073	2,352,639
	<u>2,314,073</u>	<u>2,352,639</u>

Shares of foreign companies comprise:

	31 December 2010	31 December 2009
JSC POSCO	396,603	-
JSC Rosneft	159,521	-
KAZAKHMYS PLC	123,900	-
OJSC Gazprom	56,684	128,220
OJSC VTB Bank	49,191	244,950
CITIGROUP INC	34,646	-
OJSC Lukoil	-	124,760
OJSC MMC Norilsk Nickel	-	123,469
OJSC NLMK	-	73,904
OJSC Novatek	-	59,861
OJSC RusHydro	-	59,178
	<u>820,545</u>	<u>814,342</u>

As at 31 December 2010, reverse repurchase agreements comprise notes of the National Bank of Republic of Kazakhstan amounting to 4,600,049 thousand tenge including accrued interest income amounting to 49 thousand tenge. All the agreements as at 31 December 2010 are due in January 2011.

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Investments available-for-sale:

	<b>31 December 2010</b>	<b>31 December 2009</b>
Bonds of the Ministry of Finance of the Republic of Kazakhstan	11,130,157	-
Corporate bonds	10,451,913	-
Notes of the National Bank of the Republic of Kazakhstan	2,996,796	-
<b>Investments available-for-sale</b>	<b>24,578,866</b>	<b>-</b>

Corporate bonds include corporate bonds of the following organizations:

	<b>31 December 2010</b>	<b>31 December 2009</b>
JSC Kazkommertsbank	3,563,392	-
JSC Astana Finance	1,208,978	-
JSC Kaspi Bank	1,410,826	-
JSC Nurbank	1,351,840	-
JSC Eximbank Kazakhstan	710,024	-
LLP Concern Tsesna Astyk	519,013	-
JSC Temirbank	405,989	-
JSC Imstalcon	374,807	-
JSC Alliance Bank	326,202	-
JSC Batys Transit	256,089	-
LLP KSMK-2	107,783	-
JSC ABDI Company	128,880	-
JSC Doszhan Temir Zholy	58,256	-
JSC Ecoton+	24,315	-
JSC VITA	2,788	-
JSC Kazakhstan Mortgage Company	2,731	-
	<b>10,451,913</b>	<b>-</b>

Investments held to maturity:

	<b>31 December 2010</b>	<b>31 December 2009</b>
LLP Concern Tsesna Astyk	-	512,129
<b>Total investments held to maturity</b>	<b>-</b>	<b>512,129</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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Accounts receivable:

	31 December 2010	31 December 2009
JSC Kazneftehim	865,461	-
JSC Astana Finance	199,959	-
JSC Ornek XXI	87,840	-
JSC BTA Ipoteka	54,530	-
LLP KSMK-2	15,432	-
LLP Corporation AIC-Invest	10,672	-
JSC VITA	8,962	-
JSC Ecoton +	7,078	-
JSC ATF Bank	55	55
	<u>1,249,989</u>	<u>55</u>
Less: allowance for impairment losses	<u>(372,143)</u>	<u>-</u>
	<u>877,846</u>	<u>55</u>

As at 31 December 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 the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial organizations (further the "FMSA"), 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 FMSA. 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 FMSA 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.

During 2010, the Fund reclassified financial assets at fair value through profit or loss amounting to 14,124,298 thousand tenge and investments held to maturity amounting to 519,013 thousand tenge to financial assets available-for-sale in investment portfolio of pension assets. Due to the nature of the assets transferred and the valuation technique used, management believes that the impact of the reclassification on the statement of changes in pension assets is immaterial. The Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations does permits transfers between categories of securities. Management believes that this classification of securities better reflects management intention in respect with investments, included in pension assets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2010  
(in thousand tenge)

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### 48. EVENTS AFTER THE BALANCE SHEET DATE

In the beginning of January 2011 JSC Pavlodar Electricity Distribution Company, a subsidiary of JSC PAVLODARENERGO, fully repaid its bonds.

On 19 and 24 January 2011 the Company sold bonds of JSC "BTA Bank Affiliate Mortgage Copmany "BTA Ipoteka" for 1,016,887 thousand tenge (Note 17).

On 28 January 2011 JSC Energocentr, a subsidiary of JSC PAVLODARENERGO, processed a bank loan of 100,000 thousand tenge, under agreement for credit line # 8-2009 of 23 June 2009 with JSC National Bank of Kazakhstan. During the first quarter of 2011 JSC Energocentr repaid the debt within the same credit line amounting to 400,000 thousand tenge.

Since 1 January 2011 the Group has agreed the increase in tariffs:

- For production of heat energy for 2011 by 8%-15%;
- On transmission and distribution of electricity for 2011-2012 by 23% and heat for 2011-2012 by 2.4%;
- For supply heat and electricity for 2011 by 8%-13%;
- On sale of electricity for 2011 by 5%-16%.

In 2011 JSC SEVKAZENERGO, a subsidiary, received short-term borrowings under the credit line with the JSC SB Sberbank of 1,657,700 thousand tenge at an interest rate of 11% per annum.

On 26 March 2011 Petropavlovsk Heat Network LLP, a subsidiary of JSC SEVKAZENERGO, and JSC Pavlodar Heat Networks, a subsidiary of JSC PAVLODARENERGO, has signed a loan agreement with EBRD. Under concluded loan agreement 4,440,000 thousand tenge and 10,000 thousand US dollars is planned to be allocated from funds of EBRD and Clean Technology Fund, respectively. The purpose of the loan is financing of the project of restoration and modernization of networks of the centralized heat supply of the Group, increasing of efficiency of use of energy, decreasing in losses and improvement of ecological standards. CAEPCO, a subsidiary, acts as a guarantor under the given loan.

On 25 April 2011 CAEPCO, a subsidiary, signed an agreement with the Islamic Infrastructure Fund on placing of common shares of CAEPCO amounting to 50,000 thousand US dollars.

On 7 April 2011 the Company sold its 25% share in JSC Cumulative Pension Fund Ular Umit and its 25% share in JSC OIPAIM Zhetysu for 6,530,536 thousand tenge and 1,514,606 thousand tenge, respectively to JSC Joint Investment Fund for Risk Investment CAPEC Invest (a related party). 6,585,142 thousand tenge was paid to the Company in April – May 2011 by JSC Joint Investment Fund for Risk Investment CAPEC Invest, with the remaining liability to be paid by 30 June 2011.

On 18 April 2011 the Company acquired 9.95% share in Eurasian Pension Fund JSC in amount of 548,996 thousand tenge. The Company also concluded option agreements on acquisition of shares of Eurasian Pension Fund JSC of about 40% of total share capital and paid in advance an amount of 4,125,024 thousand tenge.

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

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010** *(in thousand tenge)*

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During January and February 2011 the Company contributed to share capital of Amanat Kazakhstan Pension Fund JSC 368,514 thousand tenge.

In January – May 2011 advances paid by the Company for purchase of shares of JSC Eximbank Kazakhstan to JSC Investment Technology in amount of 401,820 thousand tenge and Stroiinservice LLP in amount of 300,000 thousand tenge were returned to the Company (Note 14).

#### **49. CONCENTRATION OF BUSINESS RISK**

The Group's main operations are conducted in Kazakhstan. Laws and normative acts governing entrepreneurial activities in Kazakhstan change frequently, which is why the Group's assets and operations may be subject to risk due negative changes in the political and business environment.