Translation from the original in Russian

JOINT STOCK COMPANY SEVKAZENERGO

Consolidated financial statements
for the year ended December 31, 2010

Translation from the original in Russian

JOINT STOCK COMPANY SEVKAZENERGO

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

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the consolidated financial position of Joint Stock Company SEVKAZENERGO (hereinafter the "Company") and its subsidiaries (hereinafter jointly the "Group") as of December 31, 2010, the consolidated results of its operations, cash flows and changes in equity 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 of the Group 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 December 31, 2010 were approved and authorized for issue on April 7, 2011 by management of the Group.

On behalf of management of the Group:

Tatarov I.V.	**Alexeevene T.V.**
Chairman of Board	**Chief Accountant**
April 7, 2011	April 7, 2011

INDEPENDENT AUDITORS' REPORT

To the shareholders and management of Joint Stock Company SEVKAZENERGO:

We have audited the accompanying consolidated financial statements of Joint Stock Company SEVKAZENERGO (hereinafter the "Company") and its subsidiaries (hereinafter jointly the "Group"), which comprise the consolidated statement of financial position as of December 31, 2010, and related consolidated statements of comprehensive income, of changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Translation from the original in Russian

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2010, and the consolidated financial results of its operations and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 36 to the accompanying consolidated financial statements that discloses significant transactions of the Group with related parties on terms that might not necessarily be available to third parties. Our opinion is not qualified in respect of this matter.

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

Deloitte, LLP
State license for audit activity in the Republic of Kazakhstan No.0000015, type MFU-2, given by the Ministry of Finance of the Republic of Kazakhstan dated September 13, 2006.

Nurlan Bekenov
General Director
Deloitte, LLP

April 7, 2011
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	2010	2009
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	24,009,186	21,910,263
Intangible assets		4,149	4,235
Advances paid for acquisition of property, plant and equipment	7	2,448,226	909,162
Total non-current assets		26,461,561	22,823,660
CURRENT ASSETS:			
Inventories	8	644,231	625,829
Trade accounts receivable	9	933,620	766,479
Advances paid for acquisition of current assets	10	250,804	104,615
Taxes recoverable and prepaid	11	40,300	59,819
Other accounts receivable	12	2,099,303	2,309,949
Other financial assets	13	2,000,305	2,576,393
Cash	14	226,952	168,813
Total current assets		6,195,515	6,611,897
TOTAL ASSETS		32,657,076	29,435,557
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	14,810,513	14,810,513
Additional paid-in capital	16	159,931	255,446
Revaluation reserve		1,137,649	2,695,535
Retained earnings		2,086,943	27,678
Total equity		18,195,036	17,789,172
NON-CURRENT LIABILITIES:			
Bonds issued	17	1,999,227	-
Long-term loans	18	3,488,330	4,539,982
Deferred tax liabilities	19	3,613,858	2,532,046
Deferred revenue	20	79,860	84,401
Long-term accounts payable	21	40,869	36,331
Ash dump restoration liability	22	137,068	74,340
Employee benefit obligations	23	33,228	31,539
Total non-current liabilities		9,392,440	7,298,639
CURRENT LIABILITIES:			
Current-portion of the bonds issued	17	118,055	-
Trade accounts payable	24	246,252	374,008
Short-term loans and current portion of long-term loans	18, 25	3,873,042	3,239,201
Advances received	26	504,820	397,148
Taxes and non-budget payable	27	212,497	234,585
Current portion of ash dump restoration liability	22	20,660	11,080
Current portion of employee benefit obligations	23	3,737	3,061
Other liabilities and accrued expenses	28	90,537	88,663
Total current liabilities		5,069,600	4,347,746
TOTAL EQUITY AND LIABILITIES		32,657,076	29,435,557

On behalf of management of the Group:

Tatarov I.V.
Chairman of Board

April 7, 2011

Alexeevene T.V.
Chief Accountant

April 7, 2011

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ СҚО ПЕТРОПАВЛ Қ. СЕВКАЗЭНЕРГО АКЦИОНЕРЛІК ҚОҒАМЫ АКЦИОНЕРНОЕ ОБЩЕСТВО КАЗАХСТАН СКО Г. ПЕТРОПАВЛОВСК

The notes on pages 9-46 form an integral part of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

(in thousands of tenge)

	Notes	2010	2009
REVENUE	29	13,416,513	11,293,609
COST OF SALES	30	(8,797,174)	(7,692,272)
GROSS PROFIT		4,619,339	3,601,337
Selling expenses	31	(534,952)	(458,665)
General and administrative expenses	32	(1,385,384)	(1,530,742)
Finance costs	33	(1,065,462)	(911,965)
Interest income	34	478,468	461,791
Foreign exchange gain/(loss)		(84,756)	7,253
Other income	35	170,821	129,770
PROFIT BEFORE INCOME TAX		2,198,074	1,298,779
INCOME TAX EXPENSE)	19	(1,278,216)	(512,566)
PROFIT FOR THE YEAR		919,858	786,213
OTHER COMPREHENSIVE LOSS:			
Effect of changes in tax rates on deferred tax arising from revaluation of property, plant and equipment	19	(62,361)	(22,780)
Total other comprehensive loss, excluding income tax		(62,361)	(22,780)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		857,497	763,433

Earning per share for the year ended December 31, 2010 is equal 6 tenge (2009: 6 tenge).

On behalf of management of the Group:

Tatarov I.V.
Chairman of Board

April 7, 2011

Alexeevene T.V.
Chief Accountant

April 7, 2011

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JOINT STOCK COMPANY SEVKAZENERGO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010
(in thousands of tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve	Retained earnings/ (accumulated deficit)	Total equity
As of December 31, 2008		7,196,325	395,467	8,918,706	(1,582,263)	14,928,235
Profit for the year		-	-	-	786,213	786,213
Other comprehensive loss for the year		-	-	(22,780)	-	(22,780)
Total comprehensive income for the year		-	-	(22,780)	786,213	763,433
Contribution to share capital	15	2,303,675	-	-	-	2,303,675
Amortization of revaluation reserve		-	-	(151,863)	151,863	-
Accrual of discount, net of deferred tax in the amount of 51,543 thousand tenge	12	-	-	-	(206,171)	(206,171)
The effect of re-registration into joint stock company	15	5,310,513	(140,021)	(6,048,528)	878,036	-
As of December 31, 2009		14,810,513	255,446	2,695,535	27,678	17,789,172
Profit for the year		-	-	-	919,858	919,858
Other comprehensive income for the year		-	-	(62,361)	-	(62,361)
Total comprehensive income for the year		-	-	(62,361)	919,858	857,497
Dividends declared and paid	15	-	-	-	(256,439)	(256,439)
Amortization of revaluation reserve		-	-	(75,536)	75,536	-
Accrual of discount, net of deferred tax in the amount of 48,799 thousand tenge	12	-	-	-	(195,194)	(195,194)
The effect of re-registration into joint stock company	1	-	(95,515)	(1,419,989)	1,515,504	-
As of December 31, 2010		14,810,513	159,931	1,137,649	2,086,943	18,195,036

On behalf of management of the Group:

Tatarov I.V.	**Alexeevene T.V.**
Chairman of Board	**Chief Accountant**
April 7, 2011	April 7, 2011

The notes on pages 9-46 form an integral part of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	2010	2009
CASH FROM OPERATING ACTIVITIES:			
Profit before income tax		2,198,074	1,298,779
Adjustments for:			
Depreciation and amortization		1,390,281	1,303,898
Finance costs	33	1,065,462	911,965
(Recovery)/accrual of allowance for doubtful debts	32	(3,773)	35,108
Accrual/(recovery) of allowance for obsolete inventories	8, 32	9,399	(6,215)
(Gain)/loss from disposal of property, plant and equipment and intangible assets		(387)	12,373
Employee benefit expense	23	8,054	(4,788)
Provision for unused vacations	28, 32	2,014	6,667
Foreign exchange loss/(gain)		84,756	(7,253)
Interest income	34	(478,468)	(461,791)
Cash flow before working capital changes		4,275,412	3,088,743
Increase in inventories		(1,289,058)	(976,340)
Increase in trade accounts receivable		(166,488)	(72,053)
Increase in advanced paid for acquisition of current assets		(148,557)	(45,975)
Decrease/(increase) in taxes recoverable and prepaid		19,519	(17,896)
(Decrease)/increase in other accounts receivable		62,545	(55,000)
(Decrease)/increase in trade accounts payable		(125,582)	121,930
Increase in advances received		107,673	69,689
(Decrease)/increase in taxes and non-budget payable		(74,190)	17,389
Decrease in other liabilities and accrued expenses		(144)	(13,744)
Decrease in ash dump restoration liability		(18,867)	(11,080)
Decrease in employee benefit obligations	23	(5,689)	(4,101)
Cash generated by operating activities		2,636,574	2,101,562
Income tax paid		(157,864)	(179,215)
Interest paid		(911,004)	(1,052,029)
Net cash generated by operating activities		1,567,706	870,318

JOINT STOCK COMPANY SEVKAZENERGO

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

	Notes	2009	2009
CASH FROM INVESTING ACTIVITIES:			
Purchase of property, plant, and equipment	6	(2,555,687)	(1,904,660)
Change in advances paid for acquisition of property, plant, and equipment	7	(1,539,064)	428,724
Purchase of intangible assets		(1,073)	(26)
Placement on deposits		(2,950,000)	(2,496,300)
Proceeds of interest accrued on the deposits placed		297,059	76,146
Proceeds from withdrawal of deposits		3,446,000	-
Proceeds from disposal of property, plant and equipment		329,286	92,684
Net cash used in investing activities		(2,973,479)	(3,803,432)
CASH FROM FINANCING ACTIVITIES:			
Proceeds from loans		5,420,045	4,473,249
Bond issue	17	1,999,227	-
Repayment of loans		(5,781,562)	(3,999,981)
Dividends paid	15	(256,439)	-
Contribution to share capital	15	-	2,303,675
Financial aid provided to related party		-	(60,501)
Repayment of financial aid by related party		167,000	308,654
Net cash generated by financing activities		1,548,271	3,025,096
NET INCREASE IN CASH		142,498	91,982
CASH at the beginning of the year	14	168,813	91,545
Impact of exchange rates on cash		(84,359)	(14,714)
CASH at the end of the year	14	226,952	168,813

Non-cash transactions:

- In 2010 the Group transferred inventories of 1,261,257 thousand tenge to property, plant and equipment (2009: 801,781 thousand tenge).
- In 2009 the Group transferred intangible assets of 18,327 thousand tenge to property, plant and equipment

On behalf of management of the Group:

Tatarov I.V.
Chairman of Board

April 7, 2011

Alexeevene T.V.
Chief Accountant

April 7, 2011

The notes on pages 9-46 form an integral part of these consolidated financial statements. Independent Auditors' Report is on pages 2-3.

(in thousands of tenge)

1. NATURE OF THE BUSINESS

Joint Stock Company SEVKAZENERGO (earlier SevKazEnergo Petropavlovsk LLP) (hereafter the "Company") was established on January 19, 1999 and reformed into joint stock company on July 13, 2009 on the basis of the minutes of general participants' meeting of SevKazEnergo Petropavlovsk LLP dated June 19, 2009. The Company is located at the following address: 215 Zhambyl Street, Petropavlovsk, 150009, the Republic of Kazakhstan.

As of December 31, 2010 the sole owner of the Company was JSC Central Asian Energy Corporation (hereinafter – JSC CAEC), holding 100% of share capital (Note 15). The ultimate owners of the Company are JSC Central Asian Petrol Energy Company (hereinafter – JSC CAPEC) and European Bank of Reconstruction and Development.

The Company is a parent/shareholder company of the following enterprises (hereinafter jointly the "Group"):

Subsidiary	Principal activity	Location	Ownership interest 2010	Ownership interest 2009
JSC North-Kazakhstan Electricity Distribution Company	Transmission and distribution of electricity	Petropavlovsk, Kazakhstan	100	100
Petropavlovsk Heat Network LLP	Transmission and distribution of heat	Petropavlovsk, Kazakhstan	100	100
North-Kazakhstan Energocenter LLP	Sale of electricity and heat	Petropavlovsk, Kazakhstan	100	100

On January 15, 2010 the subsidiary North-Kazakhstan Electricity Distribution Company LLP was re-registered into JSC North-Kazakhstan Electricity Distribution Company.

The Group's activities are closely related with CAPEC's requirements and its subsidiaries with respect to policies and regulations used. Transactions with related parties are described in detail in Note 36.

The Group's primary activity is production, transmission and distribution of electricity and heat.

The Group has all required licenses for production, transmission and allocation of electricity and heat.

The Group is included into the local section of State register of subjects of natural monopolies in North Kazakhstan region by types of regulated services: production and supply of heat, transmission and distribution of electricity, and also it is included into the State register of subjects of the market having a dominating (monopoly) position at the relevant commodity market in North Kazakhstan region on the wholesale supply of electricity.

The total number of employees of the Group as of December 31, 2010 was 2,432 employees (2009: 2,453 employees).

These consolidated financial statements prepared in accordance with IFRS were approved and authorized for issue by management of the Group on April 7, 2011.

2. CURRENT ECONOMIC SITUATION

Operating environment

The Company's principal business activity is exposed to economical, political, social, legal and normative risks, different from risks in developed markets. Laws and regulations that influence business in the Republic of Kazakhstan are subject to rapid changes. Tax, currency and customs legislation in the Republic of Kazakhstan is subject of various interpretations; in addition the enterprises which carry out the primary activity in the Republic of Kazakhstan constantly face various legal and finance difficulties. The future economic development is significantly dependant on effectiveness of economic, tax-budget and currency reforms, conducted by the government and also on changes in legal, normative and political spheres.

Adverse impact of global financial crisis in 2008 and 2009 on financial markets and capital markets in the Republic of Kazakhstan decreased and economic growth resumed in 2010. At the same time further downturn can still occur. 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 Republic of Kazakhstan economy, adversely affect the Company'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 also facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended December 31, 2010 and 2009 was 7.8% and 6.2%, respectively).

3. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations effective for the current period:

The Group adopted the following Standards and Interpretations during current period:

- Amendments to IAS 27 "Consolidated and Separate Financial Statements" as part of improvements to IFRS 3 (effective for accounting periods beginning on or after July 1, 2009);
- Amendments to IAS 28 "Investments in Associates" as part of improvements to IFRS 3 (effective for accounting periods beginning on or after July 1, 2009);
- Amendments to IAS 31 "Interest in Joint Ventures" as part of improvements to IFRS 3 (effective for accounting periods beginning on or after July 1, 2009);
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" related to eligible hedged items (effective for accounting periods beginning on or after July 1, 2009);
- IFRS 1 (revised and restructurized) "First-time Adoption of International Financial Reporting Standards" (effective for accounting periods beginning on or after July 1, 2009);
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" relating to oil and gas assets, and the determination as to whether an arrangement contains a lease (effective for accounting periods beginning on or after January 1, 2010);
- Amendments to IFRS 2 "Share-based Payment – Group Cash-settled Share-based Payment Transactions" (effective for accounting periods beginning on or after January 1, 2010);
- IFRS 3 (revised) "Business Combinations" (effective for accounting periods beginning on or after July 1, 2009);

- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for accounting periods beginning on or after July 1, 2009);
- IFRIC 18 "Transfers of Assets from Customers" (effective for accounting periods beginning on or after July 1, 2009);

Improvements to 12 existing standards and interpretations dated April 16, 2009 issued by 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 majority of these amendments are effective from January 1, 2010.

The adoption of these interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretation in issue not yet adopted

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

- IAS 12 "Income Taxes" – Limited scope amendment (recovery of underlying assets) (effective for accounting periods beginning on or after January 1, 2012);
- IAS 24 "Related Party Disclosures" – Revised definition of related parties (effective for accounting periods beginning on or after January 1, 2011);
- Amendments to IAS 32 "Financial Instruments: Presentation" - Amendments relating to classification of rights issues (effective for the periods beginning on or after February 1, 2010);
- IFRS 1 "First-time adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after July 1, 2010);
- IFRS 1 "First-time adoption of International Financial Reporting Standards" - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective for accounting periods beginning on or after July 1, 2010);
- IFRS 1 "First-time adoption of International Financial Reporting Standards" - Additional exemption for entities ceasing to suffer from severe hyperinflation (effective for accounting periods beginning on or after July 1, 2010);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments enhancing disclosures about transfers of financial assets (effective for accounting periods beginning on or after July 1, 2011);
- IFRS 9 "Financial Instruments" (effective for accounting periods beginning on or after 1 January 2013);
- Amendments to IFRIC 14 "IAS 19 – Prepayments of a Minimum Funding Requirement" (effective for reporting periods beginning on or after January 1, 2011);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for reporting periods beginning on or after July 1, 2010).

On May 6, 2010, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to some existing standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The majority of these amendments are effective from January 1, 2011.

Management of the Group assumes that adoption of these Standards and Interpretations will be adopted for the consolidated financial statements for the period commencing January 1, 2011, and its adoption will have no material impact on the Group's consolidated financial statements in the period of initial application.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance with IFRS

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

Basis of measurement

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

- Valuation of property, plant and equipment in accordance with IAS 16 "Property, Plant and Equipment";
- The valuation of financial instruments in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Segment reporting

Based on information included in the reports, which are regularly reviewed by management in order to allocate resources to the segment and assess its performance, as well as upon the results of the analysis of aggregation criteria, the Group determined one operating segment - the Group identified one operating segment – production, transmission and distribution of heat and electricity.

Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstani Tenge ("tenge") that is the Group's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in tenge has been rounded to the nearest thousand.

Use of judgment, estimates and assumption

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Due to uncertainty of such estimations actual results reflected in subsequent periods might differ from initial estimations made.

Estimates and underlying assumptions are reviewed on an ongoing basis as to necessity for change. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is presented below:

Ash dump restoration liability

The Group uses in production purposes three ash dumps. At the end of their useful life those ash dumps should be restored. In order to determine the amount of the ash dumps restoration liability management of the Group is required to evaluate the future cost of restoration of ash dumps. For valuation of amortized cost of this liability at the Group used effective interest rate of 12% which is the market borrowing rate for the Group at the reporting date.

Determination of fair value of property, plant and equipment

At each reporting date the Group evaluates significance of the change in the net book value of property, plant and equipment from its fair value. In case of significant change in the net book value from fair value the Group has the fair value of property, plant and equipment evaluated by independent appraisers.

Impairment of property, plant and equipment

At each reporting date, the Group reviews property, plant and equipment to determine whether there is any indication that those assets have impaired. If any such indication exists or annual testing is required for impairment, the Group evaluates the recoverable amount. The recoverable amount of an asset is the greater of the fair value of the asset or cash generating unit less selling costs or value in use, and is determined for a separate asset except for cases when the asset does not generate cash flows that are mainly independent of cash flows generated by other assets or groups of assets. If the carrying value of an asset exceeds the recoverable amount, the asset is considered to be impaired and its value is decreased to the recoverable amount. In evaluating the value in use, estimated future cash flows are discounted to their present value using the pre-tax effective interest rate. As of December 31, 2010 this interest rate was 13.80% (2009: 13.78%), which reflects the current market valuation of the time value of money and risks inherent in assets.

Provisions

The Group accrues allowance for doubtful debts. Significant judgments are used to identify doubtful debt. Debt aging as well as historical and expected customer behavior is considered when identifying doubtful debts. Changes in customer economic or financial conditions may require changes to provision for doubtful debts in the consolidated financial statements.

Annually the Group considers the need to create allowance for obsolete inventories based on annual stock counts and estimation on future use of obsolete stock.

The actual amount of losses from write-off of inventories and accounts receivable may differ from estimated amounts that may have a significant effect on future operating results.

Guarantee fees

The Group reviews guarantee fees received from the customers for additional power connection at each reporting date and makes adjustments to reflect them at fair value. For determining present value of guarantee fees, the Group evaluates future estimated cash outflow and relevant discount rate for present value calculation based on best estimations of the management. Guarantee fees received from the customers for additional power connection will be settled in full in equal installments within 16-25 years starting from 37th month after receiving guarantee fee. In 2010 the Group applied effective interest rate of 12.5% for calculation of the present value of deferred revenue. Besides, present value of guarantee fees may be affected by future changes in the legislation and discount rate estimations. The Group recorded the adjustment to fair value as deferred revenue with amortization period of 19-28 years.

Employee benefit obligations

The Group uses actuarial valuation method for measurement of the present value of defined post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (including discount rate, future annual material assistance, and future annual minimum salary etc.). Changes in estimates could have a significant effect on the profits or losses of the Group (Note 23).

Deferred income tax

At each reporting date management of the Group estimates future effect of deferred tax by comparing carrying amounts of assets and liabilities in the consolidated financial statements with respective tax base. Deferred tax assets and liabilities are measured at tax rates applicable to the period when assets will realize or liability will be settled and based on the tax rates (and tax legislation) effective as at the reporting date. Taking into account the change in tax legislation in respect of applied rates of income tax (Note 19) the Group's management has made estimates on the timing of repayment and the sale of assets and apply the rate of income tax applicable to the relevant date.

Useful economic lives of property, plant and equipment

The Group considers useful economic lives of property, plant and equipment at the end of each annual period. The evaluation of the useful economic life of an asset depends on such factors as economic use, maintenance programs, technological improvements and other business conditions. The evaluation by management of useful economic lives of property, plant and equipment reflects relevant information available at the date of these consolidated financial statements. As the result of changes in these estimates, the amount of depreciation may differ materially from amounts recorded in past years. Any adjustments accounted for prospectively as a change in estimates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other enterprises under Group's direct and indirect control. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

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

Foreign currency transactions

Transactions in currencies other than the functional currency of the Group are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at historical cost denominated in foreign currency are not retranslated. Gains and losses arising on exchange are included in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment initially are carried at the acquisition cost. All property, plant and equipment purchased before January 1, 2006 the IFRS transition date, are recorded at the revalued cost, which is the deemed cost. The cost of purchased property, plant and equipment is the value of contributions paid to purchase the related assets, and also other directly attributable costs incurred when supplying assets and preparing them for their intended use.

Construction in progress includes costs directly related to the construction of property, plant and equipment, as well as the corresponding allocation of directly related variable costs incurred during construction. Depreciation for these assets is calculated as for remaining property, plant and equipment from the moment they are put into operations. The present value of construction in progress is reviewed regularly so that it is recorded fairly and whether impairment losses need to be recognized.

After initial recognition, property, plant and equipment is recorded at its revalued amount which is the fair value of property, plant and equipment at the revaluation date, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are revalued regularly to avoid significant differences between the carrying value and its fair value at the reporting date. Accumulated depreciation at the revaluation date is eliminated against the total value of the asset, after which the carrying value is recalculated to its revalued value.

Any increase in carrying value occurred as a result of revaluation is included into other comprehensive income to the extent in which it exceeds previous decrease in the cost of those assets previously reflected as loss. Revaluation made within the amounts of previous decrease is charged to financial results. Decrease of carrying value as a result of revaluation is also charged to financial results within the amount of its excess over the remaining revaluation reserve created as a result of previous revaluations of the corresponding assets.

Capitalized costs include 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 capitalisation are charged to profit or loss as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets under construction, over the estimated useful lives of the assets, using the straight-line method, close to the following terms:

Buildings and constructions	1-100 years
Machinery and production equipment	1-50 years
Vehicles	2-12 years
Other	2-14 years

Depreciation on property, plant and equipment is recorded in profit or loss. Depreciation of assets under construction commences when the assets are ready for their intended use.

Gains and losses on property, plant and equipment disposals are calculated as the difference between selling price and carrying amount of an asset, and included in profit or loss.

Methods of depreciation, useful lives are analyzed at each reporting date.

Impairment of long-term 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 impaired. 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 the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the FIFO method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and liabilities are recognized on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are fixed at the reporting date of calculation.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (the "FVTPL"); held-to-maturity investments; available-for-sale (the "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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income 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 financial asset or where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as FVTPL.

Financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings, and accounts payable and other liabilities.

Cash

Cash include cash on hand and cash with banks.

Trade and other accounts receivable

Trade and other receivables are recognized and stated at the amounts of issued invoices less provision for doubtful debts. The allowance for doubtful debts is determined in cases when it is probable that the debts will not be repaid in full. The allowance for doubtful debts is accrued by the Group when accounts receivable are not repaid within contractual terms. The allowance for doubtful debts is regularly reviewed and if there is a need for adjustments the relevant amounts are reflected in profit or loss of the reporting period in which such a need was revealed. Bad debts identified are written off against previously created allowance.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where 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 impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, except for trade accounts receivable where the carrying amount is reduced through the use of provision on doubtful debts. When trade accounts receivable are not collectible, they are written off against the provision on doubtful debts. Subsequent recoveries of amounts previously written off are credited against the provision on doubtful debts. Changes in the carrying amount of the provision account are recognized in profit or 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 definitions of the financial liability and equity instrument. Equity instrument is any contract which confirms the residual share in the assets of the Group after deduction of all its liabilities. The accounting policy accepted for specific financial liabilities and equity instruments is stated below.

Loans

Loans initially recorded at the fair value plus expenses on related transactions and subsequently measured at amortized cost using effective interest method. Any difference between gains (less transaction costs) and estimate or repayment of loans is recognized during the borrowing terms according to the accounting policy of the Group on borrowing costs.

Accounts payable and other liabilities

Accounts payable and other liabilities are initially stated at their fair value and subsequently at amortized cost using effective interest method.

Offset of financial assets and liabilities

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

Derecognition of financial assets and liabilities

Financial assets

Financial asset (or, if applicable, portion of a financial asset or portion of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Group retains rights to receive cash flows from asset, but assumed an obligation to pay them fully without significant delay to a third party in accordance with transfer agreement, and transferred, all risks and rewards of the asset; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

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

Revenue recognition

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

Electricity and heat sale revenue included in profit or loss as delivered to customers. Basis for accrual of heat sale revenue and transmission of electricity is tariffs approved by Agency of the Republic of Kazakhstan on regulation of natural monopolies.

Sales of goods recognized in profit or loss when goods are delivered and title has passed to customer.

Taxation

Income tax expense represents the sum of the taxes currently payable and deferred tax.

Taxes currently payable based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss, since 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is recognized in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also recognized in other comprehensive income or equity.

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

Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs.

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

Retirement benefit costs

Current pension obligations

In 2010 in accordance with legislative requirements of the Republic of Kazakhstan, the Group pays 10% of employee's salary (2009: 10%), as contributions to saving pension funds. These amounts are expensed when they are incurred. Pension fund payments are withheld from employee salaries and included in salary costs in profit or loss.

Other employee benefits

In accordance with the Collective Agreement the Group pays one time compensation to its employees relating to payment of medical and funeral services (social benefits, guarantees and compensations). In accordance with this agreement the Group pays the following main fees and benefits:

- incentive payments in honor of the Day of power engineers and Day of senior citizens to retirement pensioners, invalids in groups I, II and III, who do not work currently;
- lump sum benefit payment for the Victory Day to participants of the Great Patriotic War, to the widows of soldiers deceased during the war, rear area workers and the persons equivalent to participants of the Great Patriotic War;
- lump sum payment in the amount of a monthly salary upon retirement due to pensionary;
- material aid per one schoolboy before the school year paid to having many children and lower-income families, and also to employees having invalid children.

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

The Company recognizes actuarial gains and losses arising from the reassessment of the employee benefit obligation in the period they are identified and recognizes employee benefit costs.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation (either based on legal regulations or implied) 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 reviewed at each date of the consolidated statement of financial position and corrected for presenting the best current valuation.

Where influence of temporary value of money is material, amount of reserve is calculated as current amount of expenses that will be needed for paying-off obligations. When discounting is used, increase in provision that reflects prior period is recognized as interest expense.

Contingencies

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

Related party transactions

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

A party is related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:
   - i) controls, is controlled by, or is under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);
   - ii) has an interest in the Group that gives it significant influence over the Group; or
   - iii) has joint control over the Group;

(b) the party is an associate of 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 for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is 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.

(in thousands of tenge)

6. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31 movement of property, plant and equipment presented as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
Cost						
At January 1, 2009	5,698,476	15,622,620	198,492	31,664	347,042	21,898,294
Additions	40,543	101,328	-	22,326	1,758,790	1,922,987
Transfers from inventories	-	946	-	-	800,835	801,781
Internal transfers	30,475	1,306,055	-	924	(1,337,454)	-
Change in estimation on liquidation fund (Note 22 and 33)	(7,016)	-	-	-	-	(7,016)
Disposals	(84,716)	(45,259)	(21,722)	(15,122)	-	(166,819)
At December 31, 2009	5,677,762	16,985,690	176,770	39,792	1,569,213	24,449,227
Additions	35,862	281,931	144	11,509	2,226,238	2,555,687
Transfers from inventories	-	-	-	-	1,261,257	1,261,257
Internal transfers	72,372	1,917,554	797	(797)	(1,989,926)	-
Change in estimation on liquidation fund (Note 22 and 33)	(5,179)	-	-	-	-	(5,179)
Disposals	(74,243)	(270,513)	(33,664)	(4,112)	(21)	(382,533)
At December 31, 2010	5,706,574	18,914,662	144,047	46,392	3,066,764	27,878,439
Accumulated depreciation						
At January 1, 2009	(365,304)	(907,440)	(27,746)	(7,895)	-	(1,308,385)
Charge for the year	(272,721)	(989,601)	(29,006)	(10,197)	-	(1,301,525)
Disposals	46,286	14,085	6,913	3,662	-	70,946
At December 31, 2009	(591,739)	(1,882,956)	(49,839)	(14,430)	-	(2,538,964)
Charge for the year	(264,007)	(1,101,498)	(25,758)	2,089	-	(1,389,174)
Disposals	7,796	39,490	11,457	142	-	58,885
At December 31, 2010	(847,950)	(2,944,964)	(64,140)	(12,199)	-	(3,869,253)
Net book value						
At December 31, 2010	4,858,624	15,969,698	79,907	34,193	3,066,764	24,009,186
At December 31, 2009	5,086,023	15,102,734	126,931	25,362	1,569,213	21,910,263

Revaluation of property, plant and equipment of the Group was conducted by an independent appraiser as of December 31, 2007. Fair value of property, plant and equipment at the reporting date was determined mainly by comparing the depreciated replacement cost. Management believes that the results of the valuation duly reflect the economic condition of the Group's property, plant and equipment at that date. Management believes that the fair value of property, plant and equipment as at December 31, 2010 did not differ significantly from their carrying value.

(in thousands of tenge)

The carrying value of each class of property, plant and equipment that would have been recognized in the consolidated financial statements if property, plant and equipment had been recorded at initial cost less accumulated depreciation and an impairment provision was as follows:

	Land, buildings and constructions	Machinery and production equipment	Vehicles	Other	Construction in progress	Total
As of December 31, 2010	597,597	8,551,257	79,909	34,192	3,066,761	12,329,716
As of December 31, 2009	1,380,859	8,446,097	20,377	31,081	1,569,213	11,467,627

As of December 31, 2010 and 2009 the loan of the Group was secured by property, plant and equipment with net book value of 12,228,698 thousands tenge and 11,919,378 thousands tenge, respectively (Note 18 and 25).

As of December 31, 2010 construction in progress consisted of project of construction of ash dump of 2,675,838 thousand tenge (2009: 1,307,400 thousand tenge).

As of December 31, 2010 the value of fully depreciated property, plant and equipment at revalued cost amounted to 59,459 thousand tenge (2009: 19,494 thousand tenge).

For the year ended December 31, 2010 the Group purchased property, plant and equipment from related parties in the amount of 17,723 thousand tenge (2009: 13,679 thousand tenge (Note 36).

7. ADVANCES PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2010 advances paid for acquisition of property, plant and equipment included advances paid to Energoinvest-PV LLP for the construction of ash dump of 544,311 thousand tenge (2009: 909,162 thousand tenge) and Sibenergomash JSC in the amount of 1,903,915 thousand tenge for the purchase of boilers. Construction period is expected for 4 years starting from July 1, 2008.

8. INVENTORIES

As of December 31 inventories presented as follows:

	2010	2009
Fuel	321,670	263,473
Raw materials	207,259	286,223
Spare parts	135,998	85,807
Construction materials	7,780	10,734
Other	8,223	6,892
	680,930	653,129
Allowance for obsolete inventory	(36,699)	(27,300)
Total	644,231	625,829

(in thousands of tenge)

For the years ended December 31 movement of the allowance for obsolete inventory presented as follows:

	2010	2009
At January 1	27,300	33,515
Accrued/(recovered) for the year	9,399	(6,215)
At December 31	36,699	27,300

During 2010 transactions with related parties on sales of inventories amounted to 2,865 thousand tenge (2009: 506 thousand tenge) (Note 36).

9. TRADE ACCOUNTS RECEIVABLE

As of December 31 trade accounts receivable presented as follows:

	2010	2009
Sales and transmission of electricity and heat	883,682	815,452
Sales of inventories and providing for other services	171,237	72,531
Allowance for doubtful debts	(121,299)	(121,504)
Total	933,620	766,479

For the years ended December 31 movement of allowance for doubtful debts is presented as follows:

	2010	2009
At January 1	121,504	93,305
(Recovered)/accrued	(205)	28,199
At December 31	121,299	121,504

As of December 31 trade accounts receivable are denominated in following currencies:

	2010	2009
Tenge	922,739	761,589
Russian roubles	10,881	4,890
	933,620	766,479

As of December 31, 2010 trade accounts receivable from related parties consisted of 60,042 thousand tenge (2009: 4,643 thousand tenge) (Note 36).

(in thousands of tenge)

10. ADVANCES PAID FOR ACQUISITION OF CURRENT ASSETS

As of December 31 advances paid for acquisition of current assets presented as follows:

	2010	2009
For acquisition of services	117,862	48,336
For acquisition of goods	95,836	54,360
For acquisition of fuel	39,545	1,990
	253,243	104,686
Allowance for doubtful debts	(2,439)	(71)
Total	250,804	104,615

11. TAXED RECOVERABLE AND PREPAID

As of December 31 taxes recoverable and prepaid consisted of the following:

	2010	2009
Corporate income tax	18,252	16,790
VAT recoverable	13,163	-
Property tax	7,096	37,764
Other taxes	1,789	5,265
Total	40,300	59,819

12. OTHER ACCOUNTS RECEIVABLE

As of December 31 other accounts receivable consisted of the following:

	2010	2009
Financial aid (Note 36)	2,046,275	2,232,779
Receivables from employees and shortages	7,931	39,103
Prepaid expenses	5,916	6,006
Liabilities on legal issues	2,109	-
Other	39,177	40,102
	2,101,408	2,317,990
Allowance for doubtful debts	(2,105)	(8,041)
Total	2,099,303	2,309,949

As of December 31, 2010 financial aid included an interest free financial aid of 2,046,275 thousand tenge, given to the ultimate owner, CAPEC JSC (as of December 31, 2009: 2,192,409 thousand tenge, given to the ultimate owner, CAPEC JSC and 40,370 thousand tenge, given to Transportation company SevKazEnergo LLP) . The Group valued interest free loan at the amortized cost using an effective interest rate of 12.5%. On June 29, 2010 the Group signed additional agreement on extension of the maturity. As the result, the Group recognized an adjustment to the fair value in equity in the amount of 243,993 thousand tenge, net of deferred income tax of 48,799 thousand tenge (2009: 257,714 thousand tenge, net of deferred income tax of 51,543 thousand tenge). For the year ended December 31, 2010 the Group recognized related interest income of 256,956 thousand tenge (2009: 288,002 thousand tenge) (Note 34).

As of December 31, 2010 and 2009 other accounts receivable is denominated in tenge.

(in thousands of tenge)

13. OTHER FINANCIAL ASSETS

As of December 31 other financial assets consisted of the following:

	Interest rate	Currency	2010	2009
Short-term deposit	10%	tenge	-	2,000,000
Short-term deposit	12%	tenge	2,000,300	496,300
Interest receivable			5	80,093
Total			2,000,305	2,576,393

As of December 31, 2010 and 2009 all deposits are placed at accounts of Eximbank Kazakhstan JSC (Note 36).

On August 12, 2009 the Group placed deposit of 2,000,000 thousand tenge at Eximbank Kazakhstan JSC at interest rates of 10% per annum and maturity period in 3 years. Subsequently, the Group signed additional agreement on change of maturity period till December 31, 2010.

On December 31, 2010 the Group placed these cash on deposit at interest rate of 12% per annum with maturity of 1 year.

14. CASH

As of December 31 cash consisted of the following:

	2010	2009
Cash in bank accounts	219,347	117,064
Petty cash	7,605	51,749
Total	226,952	168,813

As of December 31, 2010 and 2009 cash are denominated in tenge.

As of December 31, 2010 cash in Eximbank Kazakhstan JSC, related party of the Group, amounted to 86,095 thousand tenge (2009: 88,321 thousand tenge) (Note 36).

15. SHARE CAPITAL

As of December 31, 2010 and 2009 the Group's sole shareholder is CAEC JSC. Registered share capital of the Company is 16,152,439 thousand tenge, of which paid amounts to 14,810,513 thousand tenge.

On July 13, 2009 the Company was re-registered into joint stock company on basis of decision of the Company's participants dated June 19, 2009. According to Law "On limited and additional liability partnerships" share capital was formed by net assets at the re-registering date.

On October 20, 2009 Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations conducted state registration of the Company's authorized share issue. The issuance is consisted of 150,000,000 common shares, which are assigned national identification number KZ1C57830016. The issuance is included in State Registrar of issued securities under number A5783. The par value of one share is 100 tenge. As of share prospect registration date 125,605,141 common shares are placed within the sole shareholder. Shares are not convertible. No preferred shares were issued.

In accordance with option agreement dated August 12, 2009 JSC SevKazEnergo transferred to the sole shareholder 10,975,610 common shares amounted to 2,250,000 thousand tenge. Cost of one share was 205 tenge. Contribution to share capital was paid by cash of 2,250,000 thousand tenge. On February 27, 2009 the Company contributed cash of 53,675 thousands tenge to charter capital of Petropavlovsk Heat Network LLP accounted as repayment of finance lease obligations to A Energo Holdings Cooperatief U.A., previous owner.

As a result of the Group's operation for 2009 have been declared and paid dividends during 2010 in the amount of 256,439 thousand tenge.

16. ADDITIONAL PAID-IN CAPITAL

As of December 31, 2010 and 2009 additional paid-in capital amounted to 159,931 thousand tenge and 255,446 thousand tenge, respectively.

Additional paid-in capital includes the following:

- difference between the carrying amount of property, plant and equipment received by the Group under the finance lease agreements and present value of minimum lease payments under the finance lease agreements. During the period of finance lease the owner transferred part of property, plant and equipment under the agreement to share capital of the Group with a respective adjustment of additional paid-in capital;
- fair value adjustment of an interest free long-term loan from the owner.

(in thousands of tenge)

17. BONDS ISSUED

As of December 31 bonds issued were as follow:

Bonds placed with price of	**2010**	**2009**
Coupon bonds (99.95920%)	1,999,990	-
Including/(excluding):		
(Discount on bonds issued)	(763)	-
Accrued interest on issued bonds	118,055	-
Total bonds issued	2,117,282	-
Less: current portion	(118,055)	-
	1 999 227	-

On December 31, 2010 the Agency on regulation and supervision of financial market and financial institution of Republic of Kazakhstan made state registration of the issue of the coupon bonds of Joint Stock Company SEVKAZENERGO. The volume of the issue of the bonds face value is 100 tenge amounted to 80,0000,00 thousand tenge. The issue of bonds have been divided into 80,000,000 non-secured coupon bonds, which have been assigned with national identification number KZ2C0Y10D695. Issue was included in State register of the issued securities with number of D69.

On March 30, 2010 was effective the Listing commission's decision about inclusion of the Company's bonds to the official list of Kazakhstan Stock Exchange JSC with category "Debt securities with ratings". Between Kazakhstan Stock Exchange JSC and the Group was signed an agreement on listing of issue of non-state securities.

On May 14, 2010 the Group issued 19,999,900 coupon bonds at 99.95920% of its nominal value with fixed interest rate of 12.5%. Interest is payable twice a year every six months during the maturity period. The bond issue prospectus does not include any requirements.

As of December 31, 2010 was placed bonds in the quantity of 19,999,900. The Holder of the securities is Pension fund "Ular Umit" JSC.

18. LONG-TERM LOANS

As of December 31 long-term loans were as follows:

	Interest rate %	**Currency**	**2010**	**2009**
Sberbank SB JSC	11-12.50%	Tenge	3,365,600	4,905,280
Eximbank Kazakhstan JSC (Note 36)	16-17%	Tenge	337,508	310,381
Interest payable			74,422	154,974
Total			3,777,530	5,370,635
Less: short-term portion of long-term loan			(289,200)	(830,653)
			3,488,330	4,539,982

(in thousands of tenge)

Loans are paid off as follows:

	2010	2009
Within the second year	868,970	992,264
After the second and fifth years inclusive	2,619,360	1,801,478
After five years	-	1,746,240
	3,488,330	4,539,982

On October 1, 2008 the Group concluded agreement No.01/10 on opening of credit line with Sberbank SB JSC for amount of 6,111,839 thousand tenge, maturity till October 1, 2015. The principal amount is to be settled quarterly commencing January 1, 2012. The loan was received based on decision of owners for refinancing of debt of CAPEC JSC. On October 26, 2010 the Group concluded additional agreement to agreement #01/10 according to which the amount of the credit line were shortened to 3,365,600 thousand tenge. On December 14, 2010 the Group concluded additional agreement to the agreement #01/10 according to which the amount of the credit line were extended to 4,900,000 thousand tenge and interest rate were decreased from 12% to 11% per annum from amount of the loan, the annual effective rate is 11.7% per annum. During 2010 the Group repaid 1,539,680 thousand tenge within the agreement (2009: 1,206,560 thousand tenge).

On March 6, 2009 the loan was secured by property, plant and equipment with the carrying value of 12,228,698 thousand tenge (2009: 11,919,378 thousand tenge) (Note 6).

On May 15, 2009 the Group opened credit line for the amount of 400,000 thousand tenge in Eximbank Kazakhstan JSC with maturity period till May 15, 2012. The debt balance as of December 31, 2010 is 337,508 thousand tenge (2009: 310,381 thousand tenge). The Group received cash in the context of separate loan agreements concluded on the automatically renewal base. Under the credit line the Group received loans for replenishment of working capital. On April 1, 2010 the Group signed additional agreement to increase the interest to 17%. Annual effective interest rate was increased to 19.4%. According to the loan agreement the principal is repayable from October till April (from May till September no repayment of principal should be made), interest is payable on a monthly basis.

As of December 31, 2010 interest payable to related party consists of 2,391 thousands tenge (2009: 1,684 thousands tenge) (Note 36).

19. INCOME TAX

The Group's income tax expense/(benefit) for the years ended December 31 presented as follows:

	2010	2009
Current income tax expense	209,966	225,789
Deferred income tax expense	1,068,250	286,777
Income tax expense	1,278,216	512,566

(in thousands of tenge)

As of December 31 deferred tax assets and liabilities were as follows:

	2010	2009
Deferred tax assets arising from:		
Ash dump restoration liability	31,546	12,982
Provisions for doubtful debts	24,698	25,683
Provision for obsolete inventories	7,340	5,460
Provision for unused vacation	3,306	3,266
Accrued but unpaid taxes	10,319	11,852
Fair value adjustment of financial aid	26,152	28,727
Deferred revenue	15,972	13,545
Total deferred tax assets	119,333	101,515
Deferred tax liabilities arising from:		
Carrying value of property, plant and equipment and intangible assets	3,719,400	2,620,016
Long-term accounts payable	13,791	13,545
Total deferred tax liabilities	3,733,191	2,633,561
Deferred tax liabilities, net	(3,613,858)	(2,532,046)
Unrecognized deferred tax assets:		
Loss carried forward	13,898	15,498
Deferred tax assets	13,898	15,498

Movement in deferred taxes during the years ended December 31 was as follows:

	2010	2009
At January 1	(2,532,046)	(2,274,032)
(Increase)/decrease in deferred tax liabilities recorded:		
In profit/loss	(1,068,250)	(286,777)
In other comprehensive income	(62,361)	(22,780)
In consolidated statement of change in equity	48,799	51,543
At December 31	(3,613,858)	(2,532,046)

Income tax expense for the years ended December 31 and profit before income tax were reconciled in profit or loss as follows:

	2010	2009
Profit before income tax	2,198,074	1,298,779
Tax at statutory rate	439,615	259,756
Effect of decreased income tax rate	672,502	28,337
Change in unrecognized deferred tax assets	(1,600)	(17,684)
Technical over-normative losses	64,233	66,443
Finance costs	107,491	133,536
Tax effect of other permanent differences	(4,025)	42,178
Income tax expense	1,278,216	512,566

(in thousands of tenge)

20. DEFERRED REVENUE

As of December 31, 2010 deferred revenue in the amount of 79,860 thousand tenge represents a fair value adjustment of guarantee fee for connection to additional capacity of North-Kazakhstan Electricity Distribution Company LLP and Petropavlovsk Heat Network LLP (2009: 84,401 thousand tenge) (Note 21). For the year ended December 31, 2009 the Group recognized interest income on guarantee fees in amount of 4,541 thousands tenge (2009: 4,113 thousands tenge) (Note 34).

21. LONG-TERM ACCOUNTS PAYABLE

As of December 31 long-term accounts payable was as follows:

	2010	2009
Guarantee fee for additional power connection	120,729	120,732
Deferred revenue (Note 20)	(79,860)	(84,401)
	40,869	36,331

The Group received cash from consumers as a guarantee fee for connection to additional capacity in the amount of 120,732 thousand tenge. In accordance with Resolution of Government of the Republic of Kazakhstan No.1044 dated October 8, 2004 the Group should redeem cash received within 16-25 years beginning from the 37th month after receipt of the guarantee fee. The Group records these liabilities at amortized cost using the effective interest rate of 12.5%. As of December 31, 2010 the Group recognized a fair value adjustment in the amount of 79,860 thousand tenge (2009: 84,401 thousand tenge) as deferred revenue with amortization period of 19-28 years.

22. ASH DUMP RESTORATION LIABILITY

The Group uses three ash dumps for production purposes. At the end of the useful life those ash dumps should be restored. In order to determine the amount of the ash dump restoration liability management of the Group is required to perform estimation of the future cost of restoration of ash dumps. As of December 31, 2010 the Group evaluated general obligations on ash dumps restoration for the amount of 157,729 thousand tenge (2009: 85,420 thousand tenge). This liability was discounted using the effective interest rate of 12%, which is incremental borrowing rate of financing for the Group.

The movement of the ash dump restoration liability is as follow:

	2010	2009
As at January 1	85,420	156,215
Finance cost (Note 33)	12,857	10,339
Restoration during the year	(13,687)	(11,080)
Change in estimates (Note 6 and 33)	73,138	(70,054)
As at December 31	157,728	85,420
Current portion	20,660	11,080
Non-current portion	137,068	74,340
	157,728	85,420

(in thousands of tenge)

23. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations are paid in accordance with the Collective Agreement concluded between the Group and its labor collective.

The Group's employee benefit obligations as of December 31 consisted of:

	2010	2009
Present value of current employee benefit obligation	3,737	3,061
Present value of non-current employee benefit obligation	33,228	31,539
	36,965	34,600

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

	2010	2009
Total amount of liabilities at the beginning of the year	34,600	43,489
Interest expense	2,467	2,826
Current service cost	1,868	1,532
Actuarial loss/(gain) recognized for the year	3,719	(9,146)
Payments made	(5,689)	(4,101)
Total amount of liabilities at the end of the year	36,965	34,600
Obligation which matures during the year	3,737	3,061
Obligation which matures after one year	33,228	31,539

Actuarial loss/(gain) recognized for the years ended December 31, 2010 and 2009 is mainly the result of change in assumption regarding the annual growth of the minimum salary in the future as a result of a significant increase in the minimum salary in the Republic of Kazakhstan, and additional increase in the average salary of the employees of the Group in 2010.

The carrying amount of services, value of benefits and actuarial loss/(gain) recognized in 2010, respectively, were recorded within other expenses of cost of sales in the amount of 1,721 thousand tenge (2009: 125 thousand tenge) and general and administrative expenses in the amount of 6,333 thousand tenge (2009: 4,663 thousand tenge).

Calculations of the liabilities of the Group were prepared based on published statistic data on the level of mortality and actual data of the Group on the quantity, age, sex and length of service of workers and pensioners, and statistics on changes in the number of personnel. Other main assumptions at the reporting date presented below:

	2010	2009
Discount rate	7.87%	7.13%
Expected annual growth of minimum calculation index	7.00%	7%
Expected annual growth of minimum salary in the future	10.00%	10%

(in thousands of tenge)

24. TRADE ACCOUNTS PAYABLE

As of December 31 trade accounts payable consisted of the following:

	2010	2009
For services rendered	186,007	308,442
For purchased goods	59,726	65,040
Other	519	526
Total	246,252	374,008

As of December 31 trade accounts payable denominated in the following currencies:

	2010	2009
Tenge	243,621	373,960
Russian rouble	2,631	48
	246,252	374,008

As of December 31, 2010 trade accounts payable to related parties amounted to 18 thousand tenge (2009: 3,961 thousand tenge) (Note 36).

25. SHORT-TERM LOANS

As of December 31 short-term loans consisted of the following:

	Interest rate	Currency	2010	2009
Sberbank SB JSC	11-12.5%	Tenge	3,518,327	2,387,292
Eximbank Kazakhstan JSC	17%	Tenge	20,000	-
Interest payable			45,515	21,256
Total			3,583,842	2,408,548

On June 27, 2008 the Group concluded accessory (loan) agreement No.27/06 and agreement on opening of credit line with Sberbank SB JSC for amount of 2,414,800 thousand tenge with maturity till June 27, 2011. On October 26, 2010 the Group concluded additional agreement on extension of the credit line amount to 3,414,800 thousand tenge, the loan period was extended to June 27, 2014 and the interest rate decreased to 11% per annum. In 2010 under the concluded agreements the Group received 4,746,625 thousand tenge (2009: 3,473,904 thousand tenge) for replenishment of working capital and repaid 5,155,575 thousand tenge (2009: 1,894,912 thousand tenge). The loan was secured by property, plan and equipment with the carrying value of 12,228,698 thousand tenge (2009: 11,919,378 thousand tenge) (Note 6).

On August 8, 2008 the Group opened credit line for amount of 250,000 thousand tenge in Eximbank JSC with the maturity on August 8, 2011. In 2010 in frame of this agreement the Group received 271,250 thousand tenge with maturity till January 5, 2011 and during 2010 the Group repaid 251,250 thousand tenge. The loan was secured by cash of Pavlodarenergo JSC.

On January 5, 2011 the Group agreed to cancel the agreement on cash collateral as the loan was fully repaid.

(in thousands of tenge)

26. ADVANCES RECEIVED

As of December 31 advances received consisted of the following:

	2010	2009
Advances received for electricity	319,675	371,488
Advances received for heat	174,084	15,633
Advances received for other assets	11,061	10,027
Total	504,820	397,148

As of December 31, 2010 advances received from related parties amounted to 7,303 thousand tenge (2009: 39,124 thousand tenge) (Note 36).

27. TAXES AND NON-BUDGET PAYABLE

As of December 31 taxes and non-budget payable consisted of the following:

	2010	2009
Value added tax	82,319	58,989
Corporate income tax	52,570	24,514
Environmental tax	39,969	39,772
Pension fund	12,641	12,354
Personal income tax	7,671	7,923
Social tax	6,903	1,620
Property tax	4,572	17,469
Withholding income tax to non-resident	208	-
Penalties and fines	-	67,280
Other	5,644	4,664
Total	212,497	234,585

28. OTHER LIABILITIES AND ACCRUED EXPENSES

As of December 31 other liabilities and accrued expenses consisted of the following:

	2010	2009
Due to employees	63,741	64,032
Provision for unused vacation	16,528	16,329
Voluntary pension contributions payable	-	870
Other	10,268	7,432
Total	90,537	88,663

As of December 31 other liabilities and accrued expenses are denominated in tenge.

(in thousands of tenge)

29. REVENUE

Revenue for the years ended December 31 consisted of the following:

	2010	2009
Sales of electricity	8,233,132	6,527,855
Sales of heat	1,512,283	1,368,771
Transmission of electricity	2,344,123	2,035,226
Transmission of heat	1,308,744	1,273,794
Sale of chemical water	-	40,846
Sale of chemical products	18,231	25,844
Power conrol and balancing	-	21,273
Total	13,416,513	11,293,609

In 2010 revenue from transactions with the related parties amounted to 1,096,258 thousand tenge (2009: 441,218 thousand tenge) (Note 36).

30. COST OF SALES

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

	2010	2009
Fuel	4,267,451	3,369,082
Depreciation and amortization	1,333,654	1,223,949
Services purchased	1,003,771	991,919
Inventories	979,258	976,901
Payroll expenses and related taxes	965,798	916,005
Electricity and heat purchased for resale	5,745	63,595
Other	241,497	150,821
Total	8,797,174	7,692,272

(in thousands of tenge)

31. SELLING EXPENSES

Selling expenses for the years ended December 31 consisted of the following:

	2010	2009
Dispatcher services	269,956	179,647
Transportation	94,607	78,241
Payroll expenses and related taxes	84,532	77,501
Bank charges	36,191	30,504
Security expenses	6,794	5,901
Inventories	5,548	5,001
Depreciation and amortization	3,135	2,013
Other	34,189	79,857
Total	534,952	458,665

During 2010 expenses on transactions with the related parties amounted to 156 thousand tenge (2008: 125 thousand tenge) (Note 36).

32. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2010	2009
Payroll expenses and related taxes	481,166	439,927
Taxes other than income tax	338,079	279,640
Technical losses on heat (over-normative)	-	248,096
Transportation expenses	98,977	90,345
Penalties and fines	(46,261)	71,889
Technical losses on electricity (over-normative)	-	48,525
Security expenses	40,536	38,020
Consulting services	33,153	36,378
VAT for heat and electricity shortages	34,409	35,595
(Recovery)/provision for doubtful debts (Notes 9, 10 and 12)	(3,773)	35,108
Inventories	43,349	21,242
Depreciation and amortization	24,239	14,387
Business trip expenses	28,790	14,302
Maintenance of property, plant and equipment	7,833	12,932
Bank charges	19,686	11,799
Insurance	12,053	9,185
Provision for unused vacation	2,014	6,667
Electricity purchased for own use	-	9,416
Sponsorship and financial aid	57,533	2,635
Rent expenses	947	1,060
Provision/(recovery of provision) for obsolete inventories (Note 8)	9,399	(6,215)
Legal and audit services	10,701	-
Other	192,554	109,809
Total	1,385,384	1,530,742

In 2010 transactions with the related parties amounted to 10,250 thousand tenge (2009: 8,724 thousand tenge) (Note 36).

(in thousands of tenge)

33. FINANCE COSTS

Finance costs for the years ended December 31 consisted of the following:

	2010	2009
Interest expenses on bank loans	812,750	960,551
Interest expenses on the ash-dump restoration liability (Note 22)	12,857	10,339
Interest expenses on guarantees on additional capacities	1,945	4,113
Change in estimate of ash dumps restoration liabilities (Notes 6 and 22)	78,317	(63,038)
Interest expenses on finance lease agreement	156,944	-
Discount on issued securities	2,649	-
Total	1,065,462	911,965

In 2010 transactions with related parties amounted to 237,310 thousand tenge (2009: 66,335 thousand tenge) (Note 36).

34. INTEREST INCOME

Interest income for the years ended December 31 was as follows:

	2010	2009
Interest income on interest-free loan (Note 12)	256,956	288,002
Interest income from cash placed on deposit for less than one year	216,971	93,009
Interest income from cash placed on deposit for more than one year	-	76,667
Interest income on guarantee fee (Note 20)	4,541	4,113
Total	478,468	461,791

In 2010 interest income of 256,956 thousand tenge (2009: 288,002 thousand tenge) presented as interest income resulted from amortization of adjustment to fair value of interest free financial aid, provided to CAPEC JSC (Note 12 and 36). In 2010 interest income from cash placed on deposit of Eximbank Kazakhstan JSC amounted to 216,971 thousand tenge (2009: 169,676 thousand tenge) (Note 36).

(in thousands of tenge)

35. OTHER INCOME

Other income for the years ended December 31 consisted of the following:

	2010	2009
Rent income	18,136	40,187
Income from building and construction works	5,939	17,730
Income from fines for non-compliance with the terms of the contract	62,517	-
Income from sales of inventories, net	13,236	3,672
Income from inventory from dismantling of property, plant and equipment	2,776	
Gain from disposal of property, plant and equipment	440	132
Depreciation expenses on property, plant and equipment, transferred into operating lease	(27,625)	(23,366)
Income from inventories, identified at stock count	36,120	64,528
Other income, net	59,282	26,887
Total	170,821	129,770

In 2010 transactions with related parties is in the amount of nil tenge (2009: income, net of 893 thousand tenge) (Note 36).

36. TRANSACTIONS WITH RELATED PARTIES

The Group's related parties include the Group's owners, their subsidiaries and associates or companies over which the Group or its owners have significant control and key management personnel.

The transactions with related parties are conducted on terms that might not necessarily be available to third parties.

Transactions among the Company and its subsidiaries and jointly controlled companies are eliminated upon consolidation and are not presented in this note.

As of, and for the years ended December 31, 2010 and 2009 the Group had significant operations with the following related parties

Acquisition of property, plant and equipment (Note 6)

	2010	2009
MacCenter Kazakhstan LLP	17,405	13,601
Energocenter JSC	-	78
IPoint LLP	318	-
	17,723	13,679

(in thousands of tenge)

Purchase of inventories (Note 8)

	2010	2009
Energocenter JSC	-	12
MacCenter Kazakhstan LLP	160	373
Pavlodarenergo JSC	2,705	-
Enter-Unit LLP	-	121
	2,865	506

Trade accounts receivable (Note 9)

	2010	2009
Pavlodarenergo JSC	-	4,643
Astanaenergosbyt LLP	60,042	-
	60,042	4,643

Advances paid (Note 10)

	2010	2009
MacCenter Kazakhstan LLP	941	2,119

Interest-free financial aid (Note 12)

	2010	2009
CAPEC JSC less adjustment to the fair value	2,046,275	2,192,409

Deposits (Note 13)

	2010	2009
Deposit accounts at Eximbank Kazakhstan JSC	2,000,305	2,576,393

Cash (Note 14)

	2010	2009
Cash on accounts of Eximbank Kazakhstan JSC	86,095	88,321

Trade accounts payable (Note 24)

	2010	2009
Eximbank Kazakhstan JSC	18	20
Pavlodarenergo JSC	-	3,941
	18	3,961

(in thousands of tenge)

Advances received (Note 26)

	2010	2009
Energocenter JSC	7,303	-
Astanaenergosbyt LLP	-	39,124
	7,303	39,124

Loans received (Notes 18 and 25)

	2010	2009
Loans from Eximbank Kazakhstan JSC	357,508	310,381
Interest payable to Eximbank Kazakhstan JSC	2,391	1,684
	359,899	312,065

The following amounts occurred as a result of related parties transactions included to the consolidated statement of comprehensive income for the years ended December 31:

Revenue (Note 29)

	2010	2009
Pavlodarenergo JSC	574	-
Energocenter JSC	190,066	255,713
AstanaEnergosbyt LLP	905,618	185,505
	1,096,258	441,218

Selling expense (Note 31)

	2010	2009
Eximbank Kazakhstan JSC	156	125

General and administrative expenses (Note 32)

	2010	2009
CAPEC JSC	-	21
MacCenter Kazakhstan LLP	36	-
Eximbank Kazakhstan JSC	10,185	8,703
IPoint LLP	29	-
	10,250	8,724

Finance costs (Note 33)

	2010	2009
PF Ular Umit CJSC	156,944	-
Eximbank Kazakhstan JSC	80,366	66,335
	237,310	66,335

(in thousands of tenge)

Interest income (Note 34)

	2010	2009
CAPEC JSC	256,956	288,002
Eximbank Kazakhstan JSC	216,971	169,676
	473,927	457,678

Other (expenses)/income, net (Note 35)

	2010	2009
Pavlodarenergo JSC	-	893

Key personnel of the Group

During 2010 the compensation to the key management of the Group amounted to 35,945 thousand tenge (2009: 32,410 thousand tenge).

37. EARNING PER SHARE

The earning per share in calculation of profit on the shares calculates on the basis of the average quantity of the issued shares for the years ended on December, 31 2010 and 2009 of the Sum of ordinary shares and sum of watered shares are equal because watering was not made.

	2010	2009
Total comprehensive income for the year	857,947	763,433
Weighted average quantity of shares	136,580,751	136,580,751
Earning per share in tenge	6.28	5.59

On November 8, 2010 KASE has installed new rules for the companies included in listing lists which required representation of balance cost of one ordinary share in the financial statement of the companies included in listing lists.

Balance cost of one ordinary share by each kind of shares as of December, 31 2010 and 2009 is presented below.

Type of shares	Quantity of issued shares	Net assets	Balance cost in tenge
December 31, 2010	136,580,751	18,190,887	133.19
December 31, 2009	136,580,751	17,784,937	130.22

Balance cost of one ordinary share calculated as net assets divided by quantity of ordinary shares issued as of December 31, 2010 and 2009.

Net assets are assets except of intangible assets, liabilities and preferred shares in the consolidated statement of financial position as of December 31, 2010 and 2009.

(in thousands of tenge)

38. FINANCIAL INSTRUMENTS, FINANCIAL RISK POLICY AND OBJECTIVES

The Group's financial instruments include bank loans, bonds and cash, and also accounts receivable and payable. The main financial instruments risks are the risks related to liquidity and credit risks. The Group also controls the market risk and interest rate risk that arises on all financial instruments.

Category of financial instruments

As of December 31, financial instruments are presented as follows:

	2010	2009
Financial assets		
Trade accounts receivable (Note 9)	933,620	766,479
Other accounts receivable (Note 12)	2,099,303	2,303,943
Other financial assets (Note 13)	2,000,305	2,576,393
Cash and cash equivalents (Note 14)	226,952	168,813
Financial liabilities		
Bonds issued (Note 17)	2,117,282	-
Long-term loans (Note 18)	3,777,530	5,370,635
Long-term payables (Note 21)	40,869	36,331
Trade accounts payable (Note 24)	246,252	374,008
Short-term loans (Note 25)	3,583,842	2,408,548
Other liabilities and accrued expenses (Note 28)	74,009	71,464

Risk of capital insufficiency management

The Group manages the risk of capital insufficiency to ensure that it will be able to continue as a going concern while increasing tariffs and optimizing the balance, debt and equity.

The capital structure of the Group consist of share capital, additional paid-in capital, revaluation reserve on property, plant and equipment and retained earnings as disclosed in the consolidated statement of changes in equity.

Significant accounting policies

Details of the significant accounting policies and methods adopted including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses for each class of financial asset, financial liability and equity instrument are disclosed in Note 5 to the consolidated financial statements.

Financial risk management objectives

Risk management is an important part of the Group's activities. The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, liquidity risk and cash flow interest rate risk. The Group's risk management policies are listed below.

Currency risk

Amount current and non-current debt of the Group mainly denominated in tenge.

(in thousands of tenge)

Interest rate risk

The interest rate risk for the Group is the risk of a change in market interest rates that could lead to increase cash outflows on the Group's loans. The Group limits the interest rate risk by monitoring changes to interest rates in currencies in which cash and loans are denominated, and also by raising loans with fixed interest rates. As of December 31, 2010 and 2009 the Group attracted loan with fixed interest rates only, thus the Group considers this risk as insignificant.

Weighted average interest rates are as follows as of December 31:

	2010	2009
Other financial assets	11.00%	11.00%
Short-term loans	12.00%	12.00%
Long-term loans	14.25%	14.25%
Bonds issued	12.50%	-

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 talks of concluding transactions with financial instruments with a series of solvent contracting parties. The Group's maximum credit risk equals the carrying value of each financial asset. The Group considers that its maximum risk equals its trade accounts receivable (Note 9) and other accounts receivable (Note 12) less allowance for doubtful debts recorded as at the reporting date.

Credit risk concentration could arise if one borrower or a group of borrowers due 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 meet their obligations.

The Group has a policy to ensure that transaction clients have a suitable credit history and do not exceed established credit limits.

The Group does not act as the guarantor for third parties' liabilities.

Market risk

Market risk involves a possible fluctuation in the value of a financial instrument as a result of a change in market prices. As the Group holds a dominant position on the market, the risk of a possible fluctuation in the value of a financial instrument due to change in market prices is unlikely.

Currency risk management

The Group performs certain transactions denominated in foreign currency and thus risk changes in foreign exchange rates may arise. The Group considers this risk as insignificant.

Sensitivity analysis related to foreign currency

The Group's currency risk exposure is not significant since the majority of the transactions are denominated in tenge.

(in thousands of tenge)

Liquidity risk

The Group's owners are ultimately responsible for liquidity risk management due to having created an appropriate system of controls for Group Management in accordance with requirements of liquidity management and short-, middle-, and long-term financing. The Group manages liquidity risks by maintaining sufficient reserves, bank borrowings and available credit lines by means of constant monitoring of budgeted and cash flow and comparing of maturity dates of its financial assets and liabilities.

The following tables show the Group's contract dates for its derivative financial liabilities. The table was compiled based on the non-discounted movement of cash flows on financial liabilities using the earliest date that the Group could be made to make a payment. The table includes cash flows, as well as interest and the debt principal.

Liquidity and interest rate risk tables were as follows as of December 31, 2010:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		933,620	-	-	121,299	1,054,919
Other accounts receivable		2,099,303	-	-	2,105	2,101,408
Cash		226,952	-	-	-	226,952
Long-term payables		-	27,485	93,244	-	120,729
Trade accounts payable		246,252	-	-	-	246,252
Other liabilities and accrued expenses		74,009	-	-	-	74,009
Interest:						
Other financial assets	10.00-12.00%	2,000,305	-	-	-	2,000,305
Short-term loans	11.00-17.00%	3,575,259	-	-	-	3,575,259
Long-tern loans	11.00-17.00%	709,208	4,305,554	-	-	5,014,762
Bonds issued	12.50%	118,055	-	1,999,227	-	2,117,282

(in thousands of tenge)

Liquidity and interest rate risk tables were as follows as of December 31, 2009:

	Weighted average effective interest rate	Up to 1 year	1-5 years	Over 5 years	Overdue	Total
Interest-free:						
Trade accounts receivable		766,479	-	-	121,504	887,983
Other accounts receivable		2,455,618	-	-	8,041	2,463,659
Cash		168,813	-	-	-	168,813
Long-term payables		-	21,150	99,582	-	120,732
Trade accounts payable		374,008	-	-	-	374,008
Other liabilities and accrued expenses		71,464	-	-	-	71,464
Interest:						
Short-term loans	10.00-12.00%	2,694,010	-	-	-	2,694,010
Finance lease liabilities	11.00-17.00%	2,516,728	-	-	-	2,516,728
Long-tern loans	11.00-17.00%	1,472,998	5,991,790	-	-	7,464,788

Fair value of financial instruments

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

As of December 31, 2010 and 2009 the carrying value of all other financial assets and liabilities was approximately equal to their fair value.

39. COMMITMENTS AND CONTINGENCIES

Legal issues

The Group might be the subject of legal proceedings and adjudications from time to time none of which has had individually or in the aggregate a material adverse impact on the Group.

Taxation

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

In particular, taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group.

Environment, health and labor protection matters

The Group believes it is currently in compliance with all existing environmental laws and regulations on health and workplace safety of the Republic of Kazakhstan. However, environmental laws and regulations may change in the future. The Group is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernize technology to meet more stringent standards.

Insurance

As of December 31, 2010 the Group did not insure its assets. Since absence of insurance does not mean decrease in cost of assets or appearance of liabilities no provision was created in the consolidated financial statements for unforeseen expenses related to spoilage and loss of such assets.

Capital investments

On December 20, 2010 Agreement on investment obligations of the Group for 2011 was signed between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan and the Group, within which the tariff for production of electric power was increased by 14.6% and comprise 4.80 tenge. According to this agreement the Group is obliged to invest in construction, modernization and acquisition of property, plant and equipment of 3,550,461 thousand tenge till the end of 2011 (2009: 2,011,000 thousand tenge).

Tariffs formation

The Group agrees with the Agency of the Republic of Kazakhstan on regulation of natural monopolies the tariffs on electricity and heat. Management of the Company believes that all the rebates were provided in accordance with the legislation of the Republic of Kazakhstan.

40. EVENTS AFTER THE REPORTING PERIOD

Loans

During 2011 the Group received short term loans within credit line from Sberbank SB JSC of 1,657,700 thousand tenge with interest rate 12% per annum. Within credit line from Eximbank Kazakhstan JSC the Group received loans of 90,000 thousand tenge.

Agreements

On March, 26th, 2011 the Group has signed the loan agreement with the European Bank of Reconstruction and Development. Under concluded loan agreement is planned to receive 1,924 million tenge, including 481 million tenge from Fund of pure technologies. 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. JSC CAPEC acts as the guarantor under the given loan.