Mangistau Electricity Distribution Company JSC

International Financial Reporting Standards Financial Statements and Independent Auditor's Report

31 December 2009

Contents

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

24 February 2010

The accompanying financial statements were prepared by management, which is responsible for their integrity and objectivity. Management believes the financial statements, which require the use of certain estimates and judgments, fairly and accurately reflect the financial position, results of operations, and cash flows of Mangistau Electricity Distribution Company JSC (the "Company") in accordance with the International Financial Reporting Standards.

Management maintains appropriate policies, procedures and systems of internal control to ensure its reporting practices and accounting and administrative procedures are appropriate, consistent, and undertaken at reasonable cost. These policies and procedures are designed to provide reasonable assurance that transactions are properly recorded and summarized so that reliable financial records and reports can be prepared and assets safeguarded.

S. Suleimenov
Chair of the Board

G. Togyssova
Chief Accountant

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INDEPENDENT AUDITOR'S REPORT

To Shareholders of "Mangistau Electricity Distribution Company" JSC:

We have audited the accompanying financial statements of "Mangistau Electricity Distribution Company" JSC (the "Company") which comprise the statement of financial position as at 31 December 2009 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Almaty, Kazakhstan
24 February 2010

Approved by:	Signed by:
Zhanbota T. Bekenov	Inkarbekova Dana
General Director of PricewaterhouseCoopers LLP (General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)	Audit Partner (Qualified Auditor's Certificate №0000492 dated 18 January 2000)

Our report has been prepared in Russian and English in all matters of interpretation of information, views or opinion, the Russian version of our report takes precedence over the English version

In thousands of Kazakhstani Tenge	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,250,047	10,774,423
Intangible assets	8	35,694	9,649
Other non-current assets	13	993,518	2,722,049
Total non-current assets		**14,279,259**	**13,506,121**
Current assets			
Inventories	9	115,306	96,429
Trade and other receivables	10	102,944	137,914
VAT receivable	11	117,273	41,752
Income tax prepaid		32,325	25,886
Cash and cash equivalents	12	2,004,141	1,577,267
Total current assets		**2,371,989**	**1,879,248**
TOTAL ASSETS		**16,651,248**	**15,385,369**
EQUITY			
Share capital	14	1,646,226	1,700,998
Revaluation reserve		4,927,650	5,248,541
Retained earnings		1,963,446	1,354,469
TOTAL EQUITY		**8,537,322**	**8,304,008**
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,515,147	3,168,755
Deferred revenue	16	1,910,045	1,874,335
Preference shares	14	44,000	44,000
Deferred income tax liability	24	1,120,013	1,090,347
Long-term employee benefits	23	48,121	28,134
Total non-current liabilities		**6,637,326**	**6,205,571**
Current liabilities			
Borrowings	15	682,338	121,820
Trade and other payables	17	794,262	753,970
Total current liabilities		**1,476,600**	**875,790**
TOTAL LIABILITIES		**8,113,926**	**7,081,361**
TOTAL EQUITY AND LIABILITIIES		**16,651,248**	**15,385,369**

Approved for issue and signed on behalf of the Management on 24 February 2010:

S. Suleimenov
Chairman of the Board

G. Togyssova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2009	2008
Revenue	18	4,274,973	3,598,214
Cost of sales	19	(3,209,659)	(2,866,708)
Gross profit		**1,065,314**	**731,506**
General and administrative expenses	20	(385,696)	(344,204)
Selling expenses	21	(35,114)	(32,363)
Foreign exchange loss, net		(7,458)	7
Other loss, net		(4,364)	(2,917)
Operating profit		**632,682**	**352,029**
Finance income		36,215	26,105
Finance costs	22	(315,176)	(348,040)
Profit before income tax		**353,721**	**30,094**
Income tax (expense)/benefit	24	(48,562)	39,582
Profit for the year		**305,159**	**69,676**
Total comprehensive income for the year		**305,159**	**69,676**

Earnings per share attributable to the equity holders of the Company, basic and diluted (expressed in Tenge per share)			
Ordinary shares	25	122.43	32.30
Preference shares	25	280.79	67.59

In thousands of Kazakhstani Tenge	Note	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2008		**936,893**	**4,616,731**	**949,769**	**6,503,393**
Property, plant and equipment:					
- Realised revaluation reserve		-	(339,627)	339,627	-
Deferred income tax effect on revaluation reserve	24	-	971,437	-	971,437
Net income recognised directly in equity		-	631,810	339,627	971,437
Total comprehensive income for the year		-	-	69,676	69,676
Total recognised income for the year		-	631,810	409,303	1,041,113
Share issue	14	775,869	-	-	775,869
Treasury shares:	14				
- Acquisitions		(101,714)	-	-	(101,714)
- Disposals		89,950	-	-	89,950
Dividends	14	-	-	(4,603)	(4,603)
Balance at 31 December 2008		**1,700,998**	**5,248,541**	**1,354,469**	**8,304,008**
Property, plant and equipment:					
- Realised revaluation reserve		-	(338,656)	338,656	-
Deferred income tax effect on revaluation reserve	24	-	17,765	-	17,765
Net income recognised directly in equity		-	(320,891)	338,656	17,765
Total comprehensive income for the year		-	-	305,159	305,159
Total recognised income for the year		-	(320,891)	643,815	322,924
Treasury shares:	14				
- Acquisitions		(54,952)	-	-	(54,952)
- Disposals		180	-	-	180
Dividends	14	-	-	(34,838)	(34,838)
Balance at 31 December 2009		**1,646,226**	**4,927,650**	**1,963,446**	**8,537,322**

In thousands of Kazakhstani Tenge	Note	2009	2008
Cash flows from operating activities:			
Profit before income tax		353,721	30,094
Adjustments for:			
Depreciation and amortization	19,20	549,444	499,234
Provision accrued	9,10	880	9,114
Loss on disposal of property, plant and equipment	8	1,030	1,455
Current service cost – employee benefits	23	3,448	3,462
Actuarial loss	23	15,258	778
Finance costs	22	315,176	348,040
Foreign exchange differences		7,458	(7)
Recognition of other revenue – deferred revenue	18	(7,911)	-
Other		3,787	(2,085)
Operating cash flows before working capital changes		**1,242,291**	**890,085**
Decrease/(increase) in trade and other receivables		33,034	(59,907)
Increase in inventories		(14,862)	(13,076)
(Increase)/decrease in VAT receivable		(75,521)	46,852
Increase in trade and other payables		35,394	401,756
Cash generated from operations		**1,220,336**	**1,265,710**
Interest paid		(349,752)	(247,449)
Income tax paid		(7,570)	(47,246)
Net cash from operating activities		**863,014**	**971,015**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,018,344)	(1,247,805)
Purchases of intangible assets		(4,217)	(7,811)
Advances for property, plant and equipment and intangible assets		(59,242)	(495,719)
Advances for construction		(95,025)	(1,776,510)
Net cash used in investing activities		**(1,176,828)**	**(3,527,845)**
Cash flows from financing activities			
Dividends paid	14	(39,715)	(9,766)
Proceeds from bond issuance		784,594	800,000
Repayment of borrowings		(899)	(17,011)
Receipts of funds for connection to additional capacities	16	51,480	2,094,596
Share issue	14	-	775,869
Treasury stock - acquisitions	14	(54,952)	(101,714)
Treasury stock - disposals	14	180	89,950
Net cash from financing activities		**740,688**	**3,631,924**
Net increase in cash and cash equivalents		**426,874**	**1,075,094**
Cash and cash equivalents at the beginning of the year		1,577,267	502,173
Cash and cash equivalents at the end of the year		**2,004,141**	**1,577,267**

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Mangistau Electricity Distribution Company JSC ("the Company").

The Company was incorporated on 4 October 1996 as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. On 12 November 1998, the Company was re-registered as an Open Joint Stock Company. The last re-registration was on 16 May 2005 in accordance with the Decree # 507-1943-AO of the Justice Department of Mangistau region of the Republic of Kazakhstan.

At the date of inception, the State Property and Privatization Committee of the Republic of Kazakhstan (the "Committee") owned 94.3% of issued shares of the Company. The rest of shares belonged to former or present employees of the Company. On 30 July 1997 the Committee's shares were transferred to LLP Energoservice for trust management for 5 years, with a right of further extension of up to 3 years. The Committee extended the period of trust management to 31 December 2006. On 29 December 2006 the Committee's shares were transferred to the share capital of JSC "Kazakhstan State Asset Management Holding "Samruk"" (the "Samruk") under a resolution of the Government of the Republic of Kazakhstan №1020 dated 24 October 2006. On 4 January 2008 Samruk has transferred 94.3% of the Company shares to JSC "Samruk-Energo" (the "Samruk-Energo"). Subsequently Samruk has been transformed to JSC "National Welfare Fund "Samruk-Kazyna"" ("Samruk-Kazyna") after the merger with JSC "Stable Development Fund "Kazyna"" in October 2008. "Samruk-Kazyna" is ultimately owned by the Government of the Republic of Kazakhstan.

During 2009 and 2008 the shareholders of the Company were:

In percent	**31 December 2009**	**31 December 2008**
Samruk-Energo	75.0	75.0
Other legal entities/financial institutions	19.4	19.4
Individuals	5.6	5.6

Principal activity. The Company renders services on the transmission of electricity, technical dispatch of electricity input to the network for oil and other companies and sale of electricity to the remote rural population in Mangistau region, Republic of Kazakhstan. The operating activity of the Company is regulated by the Law of the Republic of Kazakhstan "On natural monopolies" (the "Law") due to the fact that the Company has a natural monopoly in the electricity transmission and distribution. In accordance with the Law, the electricity transmission and technical dispatch tariffs of the Company are subject to co-ordination and approval of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies (the "Agency"). Tariffs are based on a "cost-plus" system, meaning cost of service plus a margin, where cost are determined in accordance with the special instructions issued by the Agency, which differs from the IFRS basis of accounting. In practice, tariff decisions are impacted significantly by social and political considerations, causing delays in tariff increases which are often lower than requested. Thus, the economic, social and other policies of the Government of the Republic of Kazakhstan can have material effects on the operation of the Company.

Registered address and place of business. The Company's legal address and place of business is: Aktau, 130000, Mangistauskaya oblast, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by the revaluation of property, plant and equipment. The principal accounting policies applied in the preparation of these financial statements are set out below. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (refer to Note 4, New Accounting Pronouncements).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Actual results could differ from those estimates.

Functional and presentation currency. All amounts in these financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the Company operates. The Company's functional currency is Tenge.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Property, plant and equipment. Property, plant and equipment is stated at cost, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of direct construction overhead costs. Initial cost comprises borrowing costs of loans obtained for the purpose of financing the capital construction of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Buildings, transmission lines and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Company; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Buildings, transmission lines and equipment are revalued on the basis of independent appraisers' report.

Costs of minor repairs and maintenance are expensed when incurred. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of comprehensive income to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Construction in progress is subject to revaluation on a regular basis. Upon completion, assets are transferred to buildings, transmission lines and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	33 to 100
Transmission lines and equipment	25 to 80
Vehicles	7 to 8
Other	5 to 7

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Intangible assets. Intangible assets include computer software and licenses. Intangible assets are recorded at purchase cost and amortized using the straight-line method over their estimated economic useful lives of six years. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is assigned on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables, except for advances to suppliers, are carried at amortised cost using the effective interest method. Advances to suppliers are stated at actual amounts paid. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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 amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

2 Basis of Preparation and Significant Accounting Policies (Continued)

The primary factor that the Company considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Cash and cash equivalents. Cash and cash equivalents include cash at bank accounts and cash in hand. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial position date are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the statement of financial position date are included in other current assets.

Value added tax. Value added tax ("VAT") related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the statement of financial position date is recognised in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year from the statement of financial position date.

Financial instruments

(i) key measurement terms. Financial instruments of the Company are carried at amortised cost as described below. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related statement of financial position items.

(ii) classification of financial assets. Financial assets of the Company include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise certain trade and other receivables (Note 10), non-current special bank account (Note 13) and cash and cash equivalents (Note 12) in the statement of financial position.

(iii) classification of financial liabilities. Financial liabilities of the Company include financial liabilities carried at amortised cost. The Company's financial liabilities comprise borrowings (Note 15) and trade and other payables (Note 17).

(iv) initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Trade and other payables. Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Advances received are stated at actual amounts received from third parties.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use starting from 1 January 2009 in accordance with the requirements of IAS 23 (revised) (Note 4). All other borrowing costs are stated in statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Related parties. Related parties include the Company's shareholders, entities under control of common parent, key management personnel, and enterprises in which the Company's shareholders or key management personnel have an interest in the entity that gives them significant influence over the entity.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the statement of financial position date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the statement of financial position date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

***Foreign currency transactions*.** Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Tenge at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances denominated in USD was USD 1 = Tenge 148.36 (2008: USD 1 = Tenge 120.77). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Share capital. Ordinary shares are classified as equity. Preference shares are compound financial instruments that contain both a liability and an equity component. The liability is initially recognised at its fair value by applying the relevant effective interest rate to the amount of mandatory annual dividends using a net present value formula for perpetual period. Subsequently, it is measured at amortised cost. Effects of changes in cash flow estimates on carrying amounts are recognised in the statement of comprehensive income. At initial recognition, the equity component is the residual, i.e. it is the proceeds received from the issuance of the preference shares less the fair value of the liability. The equity component is not subsequently remeasured.

Dividends. Dividends, except for the mandatory annual dividends on preference shares, are recognised as a liability and deducted from equity at the statement of financial position date only if they are declared before or on the statement of financial position date. Mandatory annual dividends on preference shares are recognised as finance costs in the statement of comprehensive income. Dividends are disclosed when they are proposed before the statement of financial position date or proposed or declared after the statement of financial position date but before the financial statements are authorised for issue.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Revenue recognition. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenue from transmission services is recognized based on actual volumes of electricity transmitted during the reporting period. Revenues are shown net of VAT. Revenues from sales of electricity are recognised on accrual basis on the delivery of electricity. Revenues are measured at the fair value of the consideration received or receivable. Revenue is based on the application of authorised tariffs for corresponding services as approved by the Agency.

Long-term employee benefits. The Company provides long term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Company's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The Company recognises the long-term employee benefits as defined benefit post-employment plans and uses the accounting methodology accordingly. The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment. For defined benefit post-employment plans, the difference between the fair value of the plan assets (if any) and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Actuarial gains and losses arising in the year are taken to the statement of comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the statement of comprehensive income, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued annually by independent qualified actuaries.

Deferred revenue. In accordance with the resolution of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004, the Company obtained the customers contribution for the connecting infrastructure in a form of interest free borrowing with repayment term of twenty five years. The customers contributions are initially recognised at their fair value, then subsequently stated at amortised cost. The difference between the proceeds and the fair value is recognized as deferred revenue. Deferred revenue is subsequently recognized in the statement of comprehensive income over the useful life of the property, plant and equipment.

Payroll expense and related contributions. Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. On behalf of its employees, the Company pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. These payments are expensed as incurred. Upon retirement of the employee, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

3 Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also make certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Tax legislation. Kazakhstani tax legislation is subject to varying interpretations. Refer to Note 26.

3 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

Impairment of property, plant and equipment. At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments which are deemed appropriate under the current circumstances.

According to IAS 36 "Impairment of Assets", one of the indicators of impairment are significant changes which have adverse effect on the Company and occur during the period or are expected in the nearest future in the technological, market, economic or legal environment of the Company's operations or at the market where the asset is intended. Accordingly, the current economic crisis requires the impairment test for the Company's assets as at 31 December 2009 (Note 26).

The management assessed the recoverable amount of the Company's property, plant and equipment based on the estimate of the expected future cash inflows and outflows from the assets operation, discount rate and other indicators. As at 31 December 2009 the recoverable amount of the Company's property, plant and equipment exceeds their carrying value, and accordingly, the Company did not recognize the impairment loss in these financial statements.

Revaluation of property, plant and equipment. Property, plant and equipment were revalued to fair value as of 1 April 2007. The revaluation was performed on the basis of an appraisal performed by an independent professional real estate appraisal company operating in the Republic of Kazakhstan under a license. The methodology used was the depreciated replacement cost. In applying the depreciated replacement cost, certain key elements needed to be considered, such as:

- an understanding of the asset, its function, and its environment;
- research and analysis to determine the remaining physical life (to estimate physical deterioration) and economic life of the asset;
- knowledge of the business requirements (to estimate functional/technical obsolescence);
- familiarity with the class of property through access to available market data;
- knowledge of construction techniques and materials (to estimate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the value of the improvements.

The valuation was performed in accordance with the International Valuation Standard.

As of 31 December 2009 the Company has not performed the revaluation of property, plant and equipment since the management of the Company has assessed the effect of fair value change as of 31 December 2009 as insignificant. Revaluation of property, plant and equipment is planned for 2010 after agreeing with the Agency.

Defined benefit obligations. The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

4 New Accounting Pronouncements

a) *Standards, interpretations and amendments effective in 2009 and relevant to the Company's operations*

- ***IAS 1, Presentation of Financial Statements*** (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

- ***IAS 23, Borrowing Costs*** (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Company has applied the standard prospectively and has assessed it as a change to the accounting policy.

4 New Accounting Pronouncements (Continued)

- ***IFRIC 18, 'Transfers of Assets from Customers'*** (effective from 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Company is currently assessing the impact of the new interpretation on its financial statements.

- ***Improvements to International Financial Reporting Standards*** (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Company does not expect the amendments to have any material effect on its financial statements except for the adoption of the amendment to IAS 23 "Borrowing cost". The Company has capitalized the unwinding expense on long-term loans obtained.

- ***IFRS 8, Operating Segments*** (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Management does not expect IFRS 8 to affect the Company's financial statements.

b) *Standards, amendments and interpretations to existing standards that are effective in 2009 but not applicable to the Company's operations*

- ***IFRIC 13, Customer Loyalty Programmes*** (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- ***IFRIC 15, Agreements for the Construction of Real Estate*** (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

- ***IFRIC 16, Hedges of a Net Investment in a Foreign Operation*** (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment*** (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

- ***Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment*** (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies

4 New Accounting Pronouncements (Continued)

that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment*** (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment.

c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations*

Published amendments and interpretations to the standards that are not yet effective and are required for the accounting periods of the Company, starting 1 January 2010 and after that date or for later periods but not relevant to the Company's operations are presented below:

- ***Embedded Derivatives - Amendments to IFRIC 9 and IAS 39*** (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

- ***IAS 27, Consolidated and Separate Financial Statements*** (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

- ***IFRS 3, Business Combinations*** (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

- ***Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement*** (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- ***IFRIC 17, Distribution of Non-Cash Assets to Owners*** (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

- ***IFRS 1, First-time Adoption of International Financial Reporting Standards*** (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements

- ***The International Financial Reporting Standard for Small and Medium-sized Entities*** (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.

4 New Accounting Pronouncements (Continued)

- ***Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment*** (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

- ***Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS*** (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

- ***Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation*** (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

- ***IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- ***Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14*** (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan.

- ***IAS 24, Related Party Disclosures*** (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Company is currently assessing the impact of the amended standard on disclosures in its financial statements.

- ***IFRS 9, Financial Instruments*** (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
    1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
    2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- ***Improvements to International Financial Reporting Standards*** (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint.

4 New Accounting Pronouncements (Continued)

ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Company does not expect the amendments to have any material effect on its financial statements

5 Segment Information

Business segments. The Company's primary format for reporting segment information is business segments. For the purpose of these financial statements one business segment represented by transmission of electricity and technical dispatch of electricity input to the network is identified as a reportable segment. Other activity carried out by the Company which is a sale of electricity to customers generates less than ten percent of total revenues and its related assets are less than ten percent of total assets.

Geographical segments. For the purpose of these financial statements one geographical reporting segment represented by Mangistau region, Republic of Kazakhstan is identified.

6 Related Party Balances and Transactions

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent and ultimate controlling party are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Company had significant transactions or significant balances as at 31 December 2009, are presented below.

At 31 December 2009 and 2008, the outstanding trade receivable balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC KazPost	company under control of Samruk-Kazyna	83	69
JSC Trade house "Kazmunaigaz"	company under control of Samruk-Kazyna	34	8
JSC Kazkhtelecom	company under control of Samruk-Kazyna	21	5
JSC National Company KTZ	company under control of Samruk-Kazyna	-	299
Other	company under control of Samruk-Kazyna	15	11

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
Kazakhturkmunai LLP	company was under control of Samruk-Kazyna	140	44

At 31 December 2009 and 2008, the outstanding advances given balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC National Company KTZ	company under control of Samruk-Kazyna	569	244
JSC KazPost	company under control of Samruk-Kazyna	382	303
JSC Trade house "Kazmunaigaz"	company under control of Samruk-Kazyna	-	609
JSC KEGOC	company under control of Samruk-Kazyna	-	318

At 31 December 2009 and 2008, the outstanding trade payable balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	314,266	342,615
JSC KEGOC	company under control of Samruk-Kazyna	886	-
JSC KazTransOil	company under control of Samruk-Kazyna	103	81
JSC KazPost	company under control of Samruk-Kazyna	35	-
JSC Kazakhtelecom	company under control of Samruk-Kazyna	-	53

6 Related Party Balances and Transactions (Continued)

At 31 December 2009 and 2008, the outstanding advances received balances from related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
PF Uzenmunaigas	company under control of Samruk-Kazyna	124,731	125,819
KazGPZ LLP	company under control of Samruk-Kazyna	50,151	-
UDTV LLP	company under control of Samruk-Kazyna	9,990	8,029
JSC KazTransOil	company under control of Samruk-Kazyna	9,513	10,343
Temirzholenergo LLP	company under control of Samruk-Kazyna	3,474	-
JSC KazTransGas	company under control of Samruk-Kazyna	2,262	2,966
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	-	37,710
Other	company under control of Samruk-Kazyna	76	126

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC Karazhanbasmunai	company was under control of Samruk-Kazyna	22,225	25,829

During 2009 and 2008, the related party sales transactions were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
PF Uzenmunaigas	company under control of Samruk-Kazyna	1,388,871	1,235,890
KazGPZ LLP	company under control of Samruk-Kazyna	408,843	368,453
JSC KazTransOil	company under control of Samruk-Kazyna	132,158	103,881
UDTV LLP	company under control of Samruk-Kazyna	87,183	82,999
JSC KazTransGas	company under control of Samruk-Kazyna	18,687	21,177
JSC National Company KTZ	company under control of Samruk-Kazyna	11,647	15,035
Temirzholenergo LLP	company under control of Samruk-Kazyna	4,735	-
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	1,266	776
JSC KazMorTransFlot	company under control of Samruk-Kazyna	876	1,050
JSC Kazakhtelecom	company under control of Samruk-Kazyna	938	772
JSC KazPost	company under control of Samruk-Kazyna	581	433
JSC EmbaMunaigas	company under control of Samruk-Kazyna	552	369
Other	company under control of Samruk-Kazyna	250	106

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC Karazhanbasmunai	company was under control of Samruk-Kazyna	348,638	281,588
Kazakhturkmunai LLP	company was under control of Samruk-Kazyna	1,876	1,597

6 Related Party Balances and Transactions (Continued)

During 2009 and 2008, the related party purchase transactions were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
Purchasing of electricity:			
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	1,560,142	1,362,077
Transmission of electric power:			
JSC KEGOC	company under control of Samruk-Kazyna	40,270	32,677
Supply of fuel:			
JSC Trade House KazMunaiGas	company under control of Samruk-Kazyna	656	2,859
Post services:			
JSC KazPost	company under control of Samruk-Kazyna	581	788
Supply of water:			
JSC KazTransOil	company under control of Samruk-Kazyna	790	640
Communication services:			
JSC Kazakhtelecom	company under control of Samruk-Kazyna	503	592
Transportation services:			
JSC National Company KTZ	company under control of Samruk-Kazyna	246	238
Other	company under control of Samruk-Kazyna	1,680	-

Key management compensation

Key management consists of the Company's management of 4 persons as at 31 December 2009 (2008: 4 persons). Compensation paid for their services in full time executive management positions is made up of a contractual salary, bonuses, and vacation pay.

In thousands of Kazakhstani Tenge	**2009**	**2008**
Salary	23,688	42,500
Post-employment benefits	2,603	343
Total key management compensation	**26,291**	**42,843**

Terms of related parties transactions

Services are rendered to the related parties on the same terms as to the third companies. Outstanding balances as at the end of the year are not secured, and settlements are made in cash. No guarantees are issued or received in regard to the accounts receivable from the related parties. Purchases from related parties are made on terms determined by common rules approved by Board of Directors of JSC "National Welfare Fund "Samruk-Kazyna"".

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani Tenge	**Buildings**	**Transmission lines and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
Cost						
As at 1 January 2008	735,971	38,016,436	107,430	67,496	176,944	39,104,277
Additions	-	39,308	44,620	25,080	1,143,655	1,252,663
Disposals	-	(1,711)	(4,120)	(5,058)	-	(10,889)
Transfers	59,813	22,918	4,186	-	(86,917)	-
As at 31 December 2008	**795,784**	**38,076,951**	**152,116**	**87,518**	**1,233,682**	**40,346,051**
Additions	10,290	235,978	-	9,577	2,764,797	3,020,642
Disposals	-	-	(495)	(4,125)	-	(4,620)
Transfers	81,272	3,165,741	-	-	(3,247,013)	-
As at 31 December 2009	**887,346**	**41,478,670**	**151,621**	**92,970**	**751,466**	**43,362,073**
Accumulated depreciation						
As at 1 January 2008	(437,698)	(28,563,094)	(54,358)	(27,538)	-	(29,082,688)
Depreciation charge	(9,974)	(468,185)	(12,253)	(7,962)	-	(498,374)
Disposals	-	1,274	4,120	4,040	-	9,434
As at 31 December 2009	**(447,672)**	**(29,030,005)**	**(62,491)**	**(31,460)**	**-**	**(29,571,628)**
Depreciation charge	(11,026)	(507,113)	(15,833)	(10,016)	-	(543,988)
Disposals	-	-	495	3,095	-	3,590
As at 31 December 2009	**(458,698)**	**(29,537,118)**	**(77,829)**	**(38,381)**	**-**	**(30,112,026)**
Carrying amount as at 31 December 2008	**348,112**	**9,046,946**	**89,625**	**56,058**	**1,233,682**	**10,774,423**
Carrying amount as at 31 December 2009	**428,648**	**11,941,552**	**73,792**	**54,589**	**751,466**	**13,250,047**

The amount of fully depreciated property, plant and equipment is 80,725 thousand Tenge and 37,239 thousand Tenge as of 31 December 2009 and 2008, respectively.

Buildings, transmission lines, equipment and related construction in progress were last revalued on 31 March 2007 by independent appraiser, BusinessConsulting LLP. The basis used for the appraisal was depreciated replacement cost. Depreciated replacement costs were estimated based on comparative information obtained from producers of fixed assets and depreciation analysis.

7 Property, Plant and Equipment (Continued)

If the Company's property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

In thousands of Kazakhstani Tenge	**Buildings**	**Transmission lines and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
At 31 December 2008						
Cost	424,647	9,209,728	152,116	87,518	1,230,505	11,104,514
Accumulated depreciation	(246,745)	(5,681,434)	(62,491)	(31,460)	-	(6,022,130)
Net book value	**177,902**	**3,528,294**	**89,625**	**56,058**	**1,230,505**	**5,082,384**
At 31 December 2009						
Cost	516,209	12,451,280	151,621	92,970	748,675	13,960,755
Accumulated depreciation	(253,034)	(5,828,911)	(77,829)	(38,381)	-	(6,198,155)
Net book value	**263,175**	**6,622,369**	**73,792**	**54,589**	**748,675**	**7,762,600**

Depreciation expense has been charged to the following line items:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Cost of sales	537,796	492,786
General and administrative expenses	6,192	5,588
Total depreciation charge	**543,988**	**498,374**

8 Intangible assets

In thousands of Kazakhstani Tenge	**Program software**	**Other**	**Total**
Cost as at 1 January 2008	**3,635**	**20**	**3,655**
Accumulated Amortization	**(875)**	**(14)**	**(889)**
Net book value as at 1 January 2008	2,760	6	2,766
Additions	7,811	-	7,811
Amortization	(925)	(3)	(928)
Net book value as at 31 December 2008	**9,646**	**3**	**9,649**
Cost as at 31 December 2008	**11,446**	**20**	**11,466**
Accumulated Amortization	**(1,800)**	**(17)**	**(1,817)**
Net book value 31 December 2008	9,646	3	9,649
Additions	31,368	133	31,501
Amortization	(5,440)	(16)	(5,456)
Net book value as at 31 December 2009	35,574	120	35,694
Cost as at 31 December 2009	**42,814**	**153**	**42,967**
Accumulated Amortization	**(7,240)**	**(33)**	**(7,273)**
Net book value 31 December 2009	35,574	120	35,694

9 Inventories

In thousands of Kazakhstani Tenge	**2009**	**2008**
Raw materials	102,070	88,369
Goods	18,846	267
Spare parts	5,602	5,057
Fuel and lubricants	5,530	7,997
Other	8,265	25,052
Less: provisions for obsolete and slow-moving inventories	(25,007)	(30,313)
Total inventories	**115,306**	**96,429**

Below are movements in the provision for obsolete and slow-moving inventories:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Balance at beginning of year	30,313	21,013
(Recovery of)/provision for impairment during the year (Note 20)	(4,015)	9,722
Write off during the year	(1,291)	(422)
Balance at end of year	**25,007**	**30,313**

10 Trade and Other Receivables

In thousands of Kazakhstani Tenge	**2009**	**2008**
Trade receivables	79,827	62,810
Receivable from residences	17,219	5,556
Less: provision for impairment of trade receivables	(567)	(871)
Total financial assets	96,479	67,495
Advances to suppliers	6,329	67,357
Receivables from employees	869	739
Other receivables	1,894	2,884
Less: provision for impairment of advances to suppliers	(2,627)	(561)
Total trade and other receivables	**102,944**	**137,914**

The carrying amounts of the Company's financial assets within trade and other accounts receivable are denominated in Tenge, and approximate their fair values because of the short maturities of these instruments.

Analysis by credit quality of trade receivables and receivable from residences is as follows:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Current and not impaired – exposure to		
- Medium sized companies	62,266	53,647
- Receivable from residences	17,219	5,556
Total current and not impaired	**79,485**	**59,203**
Past due but not impaired		
- 30 to 60 days overdue	15,178	7,018
- 60 to 360 days overdue	2,383	1,648
- over 360 days overdue	-	497
Total past due but not impaired	**17,561**	**9,163**
Total past due and impaired	**(567)**	**(871)**
Total	**96,479**	**67,495**

10 Trade and Other Receivables (Continued)

As of 31 December 2008 the Company does not have collaterals.

Below are movements in the provision for impairment of trade receivables and advances to suppliers**:**

	2009		2008	
In thousands of Kazakhstani Tenge	Trade receivables	Advances to suppliers	Trade receivables	Advances to suppliers
Provision for impairment at 1 January	871	561	634	1,511
(Recovery of)/provision for impairment during the year (Note 20)	(146)	2,082	242	(850)
Amounts written off during the year as uncollectible	(158)	(16)	(5)	(100)
Provision for impairment at 31 December	567	2,627	871	561

11 VAT Receivable

The VAT receivable consists of VAT paid on local services. VAT is calculated as 12% of the value of goods or services rendered. Management expects that VAT receivable amounting to 117,273 thousand Tenge will be offset against VAT output in subsequent period.

12 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**2009**	**2008**
Cash at bank accounts, Tenge	1,989,348	1,576,946
Restricted cash	14,231	-
Cash on hand	562	321
Total cash and cash equivalents	**2,004,141**	**1,577,267**

In order to maintain a required level of liquidity of its instruments the Company purchases and then re-sells a certain number of its ordinary shares and bonds. For the purpose of timely conclusion of market making deals the Company is obliged to maintain a cash account within the Central depository sufficient to cover minimal quotes which are based on internal Stock Exchange documents. This cash account is restricted for use.

13 Other Non-Current Assets

In thousands of Kazakhstani Tenge	**2009**	**2008**
Advances for construction and property, plant and equipment	993,518	1,832,016
Other non-current assets – Restricted cash	-	862,749
Advances for intangible assets	-	27,284
Total other non-current assets	**993,518**	**2,722,049**

Advances for construction include 988,921 thousand Tenge given to the Company's contractor ASPMK-519 LLP (2008: 1,632,913 thousand Tenge). The Company obtained funds from customers for the construction of connecting infrastructure to the electricity transmission network or reconstruction of the existing infrastructure. During 2009 the Company has used a special bank account for such funds from customers.

14 Share Capital

In thousands of Kazakhstani Tenge	***Number of outstanding shares***	**Ordinary shares**	**Share premium**	**Preference shares**	**Total**
At 1 January 2008	***1,676,739***	**924,574**	**-**	**12,319**	**936,893**
New shares issued	*430,549*	251,871	523,998	-	775,869
Treasury shares purchased	*(39,613)*	(23,174)	(78,540)	-	(101,714)
Treasury shares sold	*37,017*	21,655	68,295	-	89,950
At 31 December 2008	***2,104,692***	**1,174,926**	**513,753**	**12,319**	**1,700,998**
New shares issued	*-*	-	-	-	-
Treasury shares purchased	*(23,217)*	(13,582)	(41,370)	-	(54,952)
Treasury shares sold	*102*	60	120	-	180
At 31 December 2009	***2,081,577***	**1,161,404**	**472,503**	**12,319**	**1,646,226**

The total authorised number of ordinary shares is 2,011 thousand shares with a par value of 585 Tenge per share as of 31 December 2009 (2008: 2,011 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote. In 2008 the Company issued and sold 430,549 of its ordinary shares through the Kazakhstan Stock Exchange or direct sales to the investors. In 2009 in order to maintain a required level of liquidity of its shares the Company purchased and then re-sold a certain number of its ordinary shares.

The total authorised number of preference shares is 96,272 shares (2008: 96,272 shares) with a par value of Tenge 585 per share (2008: Tenge 585 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation. The preference shares do not provide its holders with the right to participate in the management of the company, except in instances where decisions are made in relation to re-organisation and liquidation of the Company, and where the general meeting of company's shareholders is considering a decision which may restrict the rights of the holder of preference shares, and where the dividend on preference shares will not be paid in full for three months from the date of expiry of the period established for its payment. Preference share dividends are set at 10 % p.a. (2008: 10 % p.a.) and rank above ordinary dividends.

Share premium represents the excess of contributions received over the nominal value of shares issued.

Dividends declared and paid during the year were as follows:

	2009		**2008**	
In thousands of Kazakhstani Tenge	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable at 1 January	-	7,865	-	7,396
Dividends declared during the year	34,838	5,632	4,603	5,632
Dividends paid during the year	(34,790)	(4,925)	(4,603)	(5,163)
Dividends payable at 31 December	**48**	**8,752**	**-**	**7,865**
Dividends per share declared during the year	**17.32**	**58.5**	**2.29**	**58.5**

15 Borrowings

In thousands of Kazakhstani Tenge	2009	2008
Accrued interest	183,137	121,820
Short-term portion of long-term debt	499,201	-
Total short term borrowings	**682,338**	**121,820**
Long term debt		
Bonds issued	2,764,408	2,476,569
Long-term loan (Note 16)	750,739	692,186
Total long term borrowings	**3,515,147**	**3,168,755**
Total borrowings	**4,197,485**	**3,290,575**

Bonds issued. In August 2005, the Company issued and placed 500,000 thousand Tenge denominated coupon bonds with a discount of 456 thousand Tenge bearing interest at 13% per annum. In November 2006, the Company issued and placed an additional 700,000 thousand Tenge denominated coupon bonds with a discount of 25 thousand Tenge bearing interest at 12% per annum. In May 2007, the Company issued and placed 500,000 thousand Tenge denominated coupon bonds with a discount of 104 thousand Tenge bearing interest at 12% per annum. In February 2008, the Company issued and placed 800,000 thousand fifth Tenge denominated coupon bonds with a discount of 216 thousand Tenge bearing interest at 16% per annum. In 2009 the Company has issued and placed 800,000 thousand Tenge denominated coupon bonds of the fifth emission with a discount of 15,336 thousand Tenge bearing interest at 16% per annum.

All bonds were issued without collateral on the Kazakhstan Stock Exchange and were sold to pension funds and various financial organizations.

Contractual maturity repayment schedules of the bonds are as follows:

In thousands of Kazakhstani Tenge	Less than 1 year	1-2 years	3-5 years	Over 5 years	Total
Bonds	500,000	700,000	2,100,000	-	3,300,000
Long-term loan (Note 16)	2,758	139,139	557,257	1,896,179	2,595,333
Total	**502,758**	**839,139**	**2,657,257**	**1,896,179**	**5,895,333**

The carrying amounts and fair values of borrowings are as follows:

	Carrying amounts		Fair values	
In thousands of Kazakhstani Tenge	2009	2008	2009	2008
Bonds issued	3,443,988	2,598,389	3,849,717	2,589,526
Long-term loan (Note 16)	753,497	692,186	753,497	692,186
Total borrowings	**4,197,485**	**3,290,575**	**4,603,214**	**3,281,712**

16 Deferred Revenue

Based on the resolution of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004 the Company obtained funds from customers to help finance the construction of connecting infrastructure to the electricity transmission network or the reconstruction of the existing infrastructure. These funds are interest free and repayable to the customers within twenty five years. The customers' contributions were initially recognised at their fair value, determined by applying the effective interest method, at prevailing market rates (2009: 16%, 2008: 16% and 2007: 12%), then subsequently stated at amortised cost within long-term loans (Note 15). The difference between the proceeds and the fair value was recognized as deferred revenue. The deferred revenue is subsequently recognized in the statement of comprehensive income over the useful life of the property, plant and equipment. The Company recognized such income in the statement of comprehensive income in the amount of 7,911 thousand Tenge (2008: nil) (Note 18).

In accordance with the Law of Republic of Kazakhstan #116-IV dated 29 December 2008 effective from 1 January 2009 such customer contributions were cancelled.

The Company received 51,480 thousand Tenge, 2,094,596 thousand Tenge and 449,820 thousand Tenge as the customer contributions in 2009, 2008 and 2007, respectively. The funds received in 2009 are the customers' obligations on the contracts concluded before 1 January 2009.

17 Trade and Other Payables

In thousands of Kazakhstani Tenge	**2009**	**2008**
Trade payables	384,588	358,174
Dividends payable	8,620	7,865
Total financial liabilities	393,208	366,039
Advances received	317,240	307,922
Salaries payable	47,674	40,604
Taxes payable (Note 24)	15,381	16,530
Reserve for unused vacation	9,823	6,864
Short-term employee benefits	4,114	1,910
Other payables	6,822	14,101
Total trade and other payables	**794,262**	**753,970**

18 Revenue

In thousands of Kazakhstani Tenge	**2009**	**2008**
Electricity transmission	4,052,391	3,419,196
Sale of electricity	214,671	179,018
Other revenue	7,911	-
Total revenue	**4,274,973**	**3,598,214**

Based on the resolution of the Agency of the Republic of Kazakhstan on regulation of natural monopolies #121-OD dated 29 December 2008, effective from 1 January 2009 the Company's tariff for the transmission of electricity was increased from 1.80 Tenge to 1.88 Tenge per 1 kilowatt-hour. Further increase from 1.88 Tenge to 1.95 Tenge per 1 kilowatt-hour has occurred based on the resolution of the Agency of the Republic of Kazakhstan on regulation of natural monopolies #45-OD dated 24 April 2009. Tariff for sale of electricity is 7.23 Tenge per 1 kilowatt-hour (2008: 6.3 Tenge).

19 Cost of Sales

In thousands of Kazakhstani Tenge	**2009**	**2008**
Electricity losses on transmission	1,413,332	1,235,009
Payroll expenses and related costs	554,042	470,276
Depreciation and amortization	543,252	493,714
Inventory	248,115	243,796
Repair and other third party services	167,576	185,472
Purchased electricity	131,335	114,707
Transmission services	40,270	32,678
Business trip	53,681	42,622
Electricity for own purpose	14,836	11,986
Other third party services	43,220	36,448
Total cost of sales	**3,209,659**	**2,866,708**

20 General and Administrative Expenses

In thousands of Kazakhstani Tenge	**2009**	**2008**
Property tax and other taxes	156,077	103,376
Payroll and related expenses	127,985	122,130
Legal, consulting, and audit services	19,788	41,429
Inventory	15,791	16,369
Actuarial loss	15,258	778
Communication expenses	6,501	5,771
Depreciation and amortization	6,192	5,520
Travel expenses	5,960	4,858
Board of Directors sustain expenses	4,357	2,768
Rent of vehicles	3,960	3,600
Insurance expenses	3,090	3,706
Bank charges	2,749	2,885
Representative expenses	2,026	3,525
Provision for impaired receivables and short-term advances given	1,936	-
Financial aid and sponsorship	1,251	888
Advertising expenses	947	4,344
Provision for obsolete inventory	-	9,722
Reversal of impairment of other receivables	-	(608)
Reversal of impairment of inventory	(4,015)	-
Other	15,843	13,143
Total general and administrative expenses	**385,696**	**344,204**

21 Selling Expenses

In thousands of Kazakhstani Tenge	**2009**	**2008**
Payroll and related expenses	31,024	28,639
Post services	3,256	2,947
Business trip expenses	595	544
Office rent	239	233
Total selling expenses	**35,114**	**32,363**

22 Finance Costs

In thousands of Kazakhstani Tenge	**2009**	**2008**
Interest expense on borrowings	268,730	317,620
Long-term loans: unwinding of the present value discount	24,317	22,106
Bonds: discount of the redeemed bonds write off	11,834	-
Dividends on preference shares	5,632	5,632
Long-term employee benefits: unwinding of the present value discount	3,485	2,682
Amortization of discount	1,178	-
Total finance costs	**315,176**	**348,040**

23 Long-Term Employee Benefits

Changes in benefit obligations are as follows:

In thousands of Kazakhstani Tenge	2009	2008
Present value of defined benefit obligation at start of year	30,044	23,122
Benefits paid	(2,817)	-
Unwinding of discount	3,485	2,682
Current service cost	6,265	3,462
Actuarial loss	15,258	778
Present value of defined benefit obligation at end of year	**52,235**	**30,044**

All defined benefit obligations as of 31 December 2009 are wholly unfunded.

Amounts recognised in the statement of financial position and statement of comprehensive income are as follows:

In thousands of Kazakhstani Tenge	2009	2008
Short-term obligation at end of year (Note 17)	4,114	1,910
Long-term obligation at end of year	48,121	28,134
Net liability	**52,235**	**30,044**
Unwinding of discount	3,485	2,682
Current service cost	6,265	3,462
Actuarial loss	15,258	778
Expense recognized in statement of comprehensive income	**25,008**	**6,922**

Unwinding of discount was included in the finance costs (see Note 22).

Actuarial loss and current service expenses were included in the statement of comprehensive income as part of general and administrative expenses.

In thousands of Kazakhstani Tenge	2009	2008
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	16,036	778

In thousands of Kazakhstani Tenge	2009	2008
Present value of defined benefit obligation at end of year	52,235	30,044

No experience adjustment losses on defined benefit obligation were recognised in 2009.

Principal actuarial assumptions at the statement of financial position date are as follows:

	2009	2008
Discount rate at 31 December	7.2%	11.6%
Future salary increases	7.0%	10.0%
Average labour turnover rate of personnel	10.6%	20.4%

The mortality rates used in calculating employee benefits as of 31 December 2009 were based on official Kazakhstani actuarial center data.

24 Taxes

Income tax expense comprises the following:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Current income tax expense	-	19,535
Current income tax expense – adjustment to prior period CIT expense	1,131	-
Deferred income tax (benefit)/expense	47,431	(59,117)
Income tax expense/(benefit) for the year	**48,562**	**(39,582)**

In 2003 and 2004, the Company and Investment Committee of the Ministry of Industry and Trade signed the Investment Agreements for the total investment of 488,936 thousand Tenge. According to the Investment Agreements the Company is entitled to the following investment allowances:

- a right for tax deduction (at equal amounts for the period of five years) of the cost of newly constructed and put into operation fixed assets;
- full exemption from property tax on fixed assets newly constructed and put into operation for the period of two years from the date of acceptance of constructed facilities by the state acceptance boards;

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Profit before income tax	353,721	30,094
Theoretical tax charge at statutory rate of 20 percent	70,744	9,028
Tax effect of items which are not deductible or assessable for taxation:		
- Effect of accelerated tax depreciation	(25,609)	
- Effect of change in corporate income tax rates	(3,354)	(51,297)
- Other non-deductible expenses	6,781	2,687
Income tax expense/(benefit) for the year	**48,562**	**(39,582)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement. Due to changes in the tax legislation of the Republic of Kazakhstan effective from 1 January 2009, the income tax rate in 2009-2012 is 20%, in 2013 – 17.5%, in 2014 and further – 15% (2008: 30%).

24 Taxes (Continued)

In thousands of Kazakhstani Tenge	**31 December 2008**	**Charged/ (credited) to profit or loss**	**Charged/ (credited) directly to equity**	**31 December 2009**
Tax effect of deductible temporary differences				
Losses carried forward	-	4,062	-	4,062
Taxes accrued but not paid	1,658	(1,406)	-	252
Unused vacation reserves	2,386	(421)	-	1,965
Provision on inventory/receivable	6,454	(814)	-	5,640
Employee benefits	2,493	7,954	-	10,447
Unwinding of discount	3,316	1,547	-	4,863
Deferred revenue	-	(1,582)	-	(1,582)
Gross deferred tax asset	16,307	9,340	-	25,647
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	1,106,497	56,928	(17,765)	1,145,660
Other	157	(157)	-	-
Gross deferred tax liability	1,106,654	56,771	(17,765)	1,145,660
Total deferred tax liability, net	**1,090,347**	**47,431**	**(17,765)**	**1,120,013**

In thousands of Kazakhstani Tenge	**1 January 2008**	**Charged/ (credited) to profit or loss**	**Charged/ (credited) directly to equity**	**31 December 2008**
Tax effect of deductible temporary differences				
Losses carried forward	14,232	(14,232)	-	-
Taxes accrued	2,276	(618)	-	1,658
Unused vacation reserves	3,037	(651)	-	2,386
Provision on inventory/receivable	6,948	(494)	-	6,454
Employee benefits	1,455	1,038	-	2,493
Unwinding of discount	-	3,316	-	3,316
Gross deferred tax asset	27,948	(11,641)	-	16,307
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	2,148,146	(70,212)	(971,437)	1,106,497
Other	703	(546)	-	157
Gross deferred tax liability	2,148,849	(70,758)	(971,437)	1,106,654
Total deferred tax liability, net	**2,120,901**	**(59,117)**	**(971,437)**	**1,090,347**

Taxes payable. Presented below are taxes payable (Note 17):

In thousands of Kazakhstani Tenge	**2009**	**2008**
Social tax	6,951	7,386
Personal income tax	8,044	9,144
Property tax	372	-
Other	14	-
Total taxes payable	**15,381**	**16,530**

25 Earnings Per Share

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal to the basic earnings per share.

Earnings per share are calculated as follows:

In thousands of Kazakhstani Tenge (except earnings per share)	2009	2008
Weighted average number of shares:		
Ordinary shares	1,987,197	1,813,378
Preference shares	96,272	96,272
Total number of shares	**2,083,469**	**1,909,650**
Profit attributable to the Company's shareholders	**305,159**	**69,676**
Less:		
Additional preference dividends declared during the year	-	-
Undistributed earnings	**305,159**	**69,676**
Less: Ordinary shareholders' minimum dividend	(34,838)	(4,603)
Allocation to ordinary shareholders	243,289	58,566
Allocation to preference shareholders	27,032	6,507
	270,321	**65,073**
Basic earnings per share amounts:		
Preference shares		
Undistributed earnings	280.79	67,59
Total earnings per preference share	**280.79**	**67.59**
Ordinary shares		
Undistributed earnings	122.43	32.30
Total earnings per ordinary share	**122.43**	**32.30**

26 Contingencies, Commitments and Operating Risks

Recent volatility in global financial markets

The ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. The volume of wholesale financing has significantly reduced. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Company's operations are important for oil and gas companies operating in Mangistau region. The Company is a natural monopoly and provides required level of electricity power volumes to oil and gas companies in the region. The Company expects an annual increase of electricity transportation up to 8%. The Management does not anticipate a reduction of transportation volumes and is expecting a successful installation of additional capacities in the following 2-3 years. In order to implement governmental program of Mangistau region development, and considering the forecasted electricity consumptions volumes, the Company has developed and adopted the Plan of prospective development of electrical networks for the period up to 2015 with the planned total capital investment of Tenge 24 billion.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Political and economic situation in Kazakhstan

Economy of the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the use of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, sector of electricity transportation services in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued economic difficulties. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these financial statements.

Legal proceedings

In the course of normal operations, the Company is subject to litigations and claims. The Company's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position or operations of the Company.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Taxation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of some transactions of the Company by tax authorities for the tax purposes may not coincide with that of the Company's management. As a result, such transactions may be challenged by the tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retrospective review by the tax authorities for five years.

26 Contingencies, Commitments and Operating Risks (Continued)

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. In the opinion of the Company's management, no material losses will be incurred in respect of existing and potential tax claims.

Change in tax legislation

New Tax Code and subordinate regulatory acts have been signed by the President of the Republic of Kazakhstan on December 10, 2008. The new Tax Code of the Republic of Kazakhstan is effective from 1 January 2009. Major changes include: corporate income tax rate decreased from 30% to 20% in the financial year 2009, to 17.5% in 2010, and to 15% in the year 2011; VAT rates are changed from 13% to 12%, the fixed social tax rate of 11% is introduced, the property tax rate is increased from 1% to 1.5% only in relation to real estate tax base, and other changes are introduced. In accordance with the Law of the Republic of Kazakhstan dated 16 November 2009, an amendment to suspend application of the Tax Code in the part of corporate income tax rate till 1 January 2014 has been accepted, according to which the following corporate income tax rates will be applied during the suspension period: from 1 January 2009 to 1 January 2013 - the rate in the value of 20% and from 1 January 2013 to 1 January 2014 the rate in the value of 17.5%.

27 Financial Risk Management

Financial instruments by classes. Financial instruments presented in the statement of financial position as separate line items are not divided into classes. Financial instruments included in a particular line item of the statement of financial position are considered by the Company's management to have similar characteristics in terms of associated risks.

Financial risk factors. The Company's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Credit risk. Credit risk arises from cash and cash equivalents and credit exposures to customers, represented by corporate clients. The carrying amount of cash (including restricted cash) and accounts receivable, net of provision for impairment of receivables, totaling to 2,100,620 thousand Tenge represents the maximum amount exposed to credit risk (2008: 2,507,511 thousand Tenge). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

Cash is placed in financial institutions, which are considered to have minimal risk of default. The table below shows the rating and balances with major banks at 31 December 2009 and 2008:

	Rating agency	Rating	2009	2008
Halyk Bank	Standard & Poor's	B+ (long-term)	331,105	741,297
Kazkommertsbank	Standard & Poor's	B (long-term)	1,658,243	1,698,396

Interest rate risk. The Company has no potential interest rate risk relates to the issued and placed Tenge denominated fixed rate coupon bonds.

Liquidity risk. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which controls Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and bonds issue and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

27 Financial Risk Management (Continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (except for preference shares and long-term loan, for which maturities were presented based on present value figures). Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In thousands of Kazakhstani Tenge	**Less than 1 year**	**Between 1 and 2 years**	**Between 3 and 5 years**	**Over 5 years**
At 31 December 2009				
Interest payments	469,000	404,000	576,000	-
Bonds (Note 15)	500,000	700,000	2,100,000	-
Long-term loan (Note 15)	2,758	139,139	557,257	1,896,179
Trade and dividend payables (Note 17)	393,208	-	-	-
Current borrowings	179,580	-	-	-
Preference shares	-	-	-	44,000
Total financial liabilities	**1,544,546**	**1,243,139**	**3,233,257**	**1,940,179**
At 31 December 2008				
Interest payments	341,000	341,000	532,000	-
Bonds (Note 15)	-	500,000	2,000,000	-
Long-term loan (Note 15)	-	2,758	506,781	2,034,807
Trade and dividend payables (Note 17)	366,039	-	-	-
Current borrowings	121,820	-	-	-
Preference shares	-	-	-	44,000
Total financial liabilities	**828,859**	**843,758**	**3,038,781**	**2,078,807**

No other financial liabilities exist as at 31 December 2009 and 2008.

Capital risk management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. The Company's strategy, which was unchanged since 2008, is to minimize the gearing ratio by repaying its debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "trade and dividends payables" as shown in the Note 17) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

Description	**2009**	**2008**
Total borrowings (Note 15, 17)	4,590,693	3,656,614
Less: cash and cash equivalents	2,004,141	1,577,267
Net debt	2,586,552	2,079,347
Total equity	8,537,322	8,304,008
Total capital	11,138,036	10,383,355
Gearing ratio	**23%**	**20%**

28 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of trade receivables and other receivables approximate fair values. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Estimated fair value of borrowings are provided in the Note 15 at 31 December 2009 and 2008. Due to the short-term nature of trade payable and dividends payable, their carrying amount approximates its current fair value.

Mangistau Electricity Distribution Company JSC

International Financial Reporting Standards
Financial Statements and
Independent Auditor's Report

31 December 2009

Contents

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

24 February 2010

The accompanying financial statements were prepared by management, which is responsible for their integrity and objectivity. Management believes the financial statements, which require the use of certain estimates and judgments, fairly and accurately reflect the financial position, results of operations, and cash flows of Mangistau Electricity Distribution Company JSC (the "Company") in accordance with the International Financial Reporting Standards.

Management maintains appropriate policies, procedures and systems of internal control to ensure its reporting practices and accounting and administrative procedures are appropriate, consistent, and undertaken at reasonable cost. These policies and procedures are designed to provide reasonable assurance that transactions are properly recorded and summarized so that reliable financial records and reports can be prepared and assets safeguarded.

____
S. Suleimenov
Chair of the Board

____
G. Togyssova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	13,250,047	10,774,423
Intangible assets	8	35,694	9,649
Other non-current assets	13	993,518	2,722,049
Total non-current assets		**14,279,259**	**13,506,121**
Current assets			
Inventories	9	115,306	96,429
Trade and other receivables	10	102,944	137,914
VAT receivable	11	117,273	41,752
Income tax prepaid		32,325	25,886
Cash and cash equivalents	12	2,004,141	1,577,267
Total current assets		**2,371,989**	**1,879,248**
TOTAL ASSETS		**16,651,248**	**15,385,369**
EQUITY			
Share capital	14	1,646,226	1,700,998
Revaluation reserve		4,927,650	5,248,541
Retained earnings		1,963,446	1,354,469
TOTAL EQUITY		**8,537,322**	**8,304,008**
LIABILITIES			
Non-current liabilities			
Borrowings	15	3,515,147	3,168,755
Deferred revenue	16	1,910,045	1,874,335
Preference shares	14	44,000	44,000
Deferred income tax liability	24	1,120,013	1,090,347
Long-term employee benefits	23	48,121	28,134
Total non-current liabilities		**6,637,326**	**6,205,571**
Current liabilities			
Borrowings	15	682,338	121,820
Trade and other payables	17	794,262	753,970
Total current liabilities		**1,476,600**	**875,790**
TOTAL LIABILITIES		**8,113,926**	**7,081,361**
TOTAL EQUITY AND LIABILITIIES		**16,651,248**	**15,385,369**

Approved for issue and signed on behalf of the Management on 24 February 2010:

S. Suleimenov
Chairman of the Board

G. Togyssova
Chief Accountant

In thousands of Kazakhstani Tenge	Note	2009	2008
Revenue	18	4,274,973	3,598,214
Cost of sales	19	(3,209,659)	(2,866,708)
Gross profit		**1,065,314**	**731,506**
General and administrative expenses	20	(385,696)	(344,204)
Selling expenses	21	(35,114)	(32,363)
Foreign exchange loss, net		(7,458)	7
Other loss, net		(4,364)	(2,917)
Operating profit		**632,682**	**352,029**
Finance income		36,215	26,105
Finance costs	22	(315,176)	(348,040)
Profit before income tax		**353,721**	**30,094**
Income tax (expense)/benefit	24	(48,562)	39,582
Profit for the year		**305,159**	**69,676**
Total comprehensive income for the year		**305,159**	**69,676**

Earnings per share attributable to the equity holders of the Company, basic and diluted
(expressed in Tenge per share)

Ordinary shares	25	122.43	32.30
Preference shares	25	280.79	67.59

In thousands of Kazakhstani Tenge	Note	Share capital	Revaluation reserve	Retained earnings	Total equity
Balance at 1 January 2008		**936,893**	**4,616,731**	**949,769**	**6,503,393**
Property, plant and equipment:					
- Realised revaluation reserve		-	(339,627)	339,627	-
Deferred income tax effect on revaluation reserve	24	-	971,437	-	971,437
Net income recognised directly in equity		-	631,810	339,627	971,437
Total comprehensive income for the year		-	-	69,676	69,676
Total recognised income for the year		-	631,810	409,303	1,041,113
Share issue	14	775,869	-	-	775,869
Treasury shares:	14				
- Acquisitions		(101,714)	-	-	(101,714)
- Disposals		89,950	-	-	89,950
Dividends	14	-	-	(4,603)	(4,603)
Balance at 31 December 2008		**1,700,998**	**5,248,541**	**1,354,469**	**8,304,008**
Property, plant and equipment:					
- Realised revaluation reserve		-	(338,656)	338,656	-
Deferred income tax effect on revaluation reserve	24	-	17,765	-	17,765
Net income recognised directly in equity		-	(320,891)	338,656	17,765
Total comprehensive income for the year		-	-	305,159	305,159
Total recognised income for the year		-	(320,891)	643,815	322,924
Treasury shares:	14				
- Acquisitions		(54,952)	-	-	(54,952)
- Disposals		180	-	-	180
Dividends	14	-	-	(34,838)	(34,838)
Balance at 31 December 2009		**1,646,226**	**4,927,650**	**1,963,446**	**8,537,322**

In thousands of Kazakhstani Tenge	Note	2009	2008
Cash flows from operating activities:			
Profit before income tax		353,721	30,094
Adjustments for:			
Depreciation and amortization	19,20	549,444	499,234
Provision accrued	9,10	880	9,114
Loss on disposal of property, plant and equipment	8	1,030	1,455
Current service cost – employee benefits	23	3,448	3,462
Actuarial loss	23	15,258	778
Finance costs	22	315,176	348,040
Foreign exchange differences		7,458	(7)
Recognition of other revenue – deferred revenue	18	(7,911)	-
Other		3,787	(2,085)
Operating cash flows before working capital changes		**1,242,291**	**890,085**
Decrease/(increase) in trade and other receivables		33,034	(59,907)
Increase in inventories		(14,862)	(13,076)
(Increase)/decrease in VAT receivable		(75,521)	46,852
Increase in trade and other payables		35,394	401,756
Cash generated from operations		**1,220,336**	**1,265,710**
Interest paid		(349,752)	(247,449)
Income tax paid		(7,570)	(47,246)
Net cash from operating activities		**863,014**	**971,015**
Cash flows from investing activities:			
Purchases of property, plant and equipment		(1,018,344)	(1,247,805)
Purchases of intangible assets		(4,217)	(7,811)
Advances for property, plant and equipment and intangible assets		(59,242)	(495,719)
Advances for construction		(95,025)	(1,776,510)
Net cash used in investing activities		**(1,176,828)**	**(3,527,845)**
Cash flows from financing activities			
Dividends paid	14	(39,715)	(9,766)
Proceeds from bond issuance		784,594	800,000
Repayment of borrowings		(899)	(17,011)
Receipts of funds for connection to additional capacities	16	51,480	2,094,596
Share issue	14	-	775,869
Treasury stock - acquisitions	14	(54,952)	(101,714)
Treasury stock - disposals	14	180	89,950
Net cash from financing activities		**740,688**	**3,631,924**
Net increase in cash and cash equivalents		**426,874**	**1,075,094**
Cash and cash equivalents at the beginning of the year		1,577,267	502,173
Cash and cash equivalents at the end of the year		**2,004,141**	**1,577,267**

1 The Company and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Mangistau Electricity Distribution Company JSC ("the Company").

The Company was incorporated on 4 October 1996 as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. On 12 November 1998, the Company was re-registered as an Open Joint Stock Company. The last re-registration was on 16 May 2005 in accordance with the Decree # 507-1943-AO of the Justice Department of Mangistau region of the Republic of Kazakhstan.

At the date of inception, the State Property and Privatization Committee of the Republic of Kazakhstan (the "Committee") owned 94.3% of issued shares of the Company. The rest of shares belonged to former or present employees of the Company. On 30 July 1997 the Committee's shares were transferred to LLP Energoservice for trust management for 5 years, with a right of further extension of up to 3 years. The Committee extended the period of trust management to 31 December 2006. On 29 December 2006 the Committee's shares were transferred to the share capital of JSC "Kazakhstan State Asset Management Holding "Samruk"" (the "Samruk") under a resolution of the Government of the Republic of Kazakhstan №1020 dated 24 October 2006. On 4 January 2008 Samruk has transferred 94.3% of the Company shares to JSC "Samruk-Energo" (the "Samruk-Energo"). Subsequently Samruk has been transformed to JSC "National Welfare Fund "Samruk-Kazyna"" ("Samruk-Kazyna") after the merger with JSC "Stable Development Fund "Kazyna"" in October 2008. "Samruk-Kazyna" is ultimately owned by the Government of the Republic of Kazakhstan.

During 2009 and 2008 the shareholders of the Company were:

In percent	31 December 2009	31 December 2008
Samruk-Energo	75.0	75.0
Other legal entities/financial institutions	19.4	19.4
Individuals	5.6	5.6

Principal activity. The Company renders services on the transmission of electricity, technical dispatch of electricity input to the network for oil and other companies and sale of electricity to the remote rural population in Mangistau region, Republic of Kazakhstan. The operating activity of the Company is regulated by the Law of the Republic of Kazakhstan "On natural monopolies" (the "Law") due to the fact that the Company has a natural monopoly in the electricity transmission and distribution. In accordance with the Law, the electricity transmission and technical dispatch tariffs of the Company are subject to co-ordination and approval of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies (the "Agency"). Tariffs are based on a "cost-plus" system, meaning cost of service plus a margin, where cost are determined in accordance with the special instructions issued by the Agency, which differs from the IFRS basis of accounting. In practice, tariff decisions are impacted significantly by social and political considerations, causing delays in tariff increases which are often lower than requested. Thus, the economic, social and other policies of the Government of the Republic of Kazakhstan can have material effects on the operation of the Company.

Registered address and place of business. The Company's legal address and place of business is: Aktau, 130000, Mangistauskaya oblast, Republic of Kazakhstan.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention as modified by the revaluation of property, plant and equipment. The principal accounting policies applied in the preparation of these financial statements are set out below. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements, unless otherwise stated (refer to Note 4, New Accounting Pronouncements).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Actual results could differ from those estimates.

Functional and presentation currency. All amounts in these financial statements are presented in thousands of Kazakhstani Tenge ("Tenge"), unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the Company operates. The Company's functional currency is Tenge.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Property, plant and equipment. Property, plant and equipment is stated at cost, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of direct construction overhead costs. Initial cost comprises borrowing costs of loans obtained for the purpose of financing the capital construction of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Buildings, transmission lines and equipment are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Company; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Buildings, transmission lines and equipment are revalued on the basis of independent appraisers' report.

Costs of minor repairs and maintenance are expensed when incurred. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, the management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in the statement of comprehensive income to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Construction in progress is subject to revaluation on a regular basis. Upon completion, assets are transferred to buildings, transmission lines and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Depreciation. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	33 to 100
Transmission lines and equipment	25 to 80
Vehicles	7 to 8
Other	5 to 7

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Intangible assets. Intangible assets include computer software and licenses. Intangible assets are recorded at purchase cost and amortized using the straight-line method over their estimated economic useful lives of six years. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to sell.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is assigned on the first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Trade and other receivables, except for advances to suppliers, are carried at amortised cost using the effective interest method. Advances to suppliers are stated at actual amounts paid. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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 amount of the provision is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

2 Basis of Preparation and Significant Accounting Policies (Continued)

The primary factor that the Company considers whether a receivable is impaired is its overdue status. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any portion of the receivable is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

Cash and cash equivalents. Cash and cash equivalents include cash at bank accounts and cash in hand. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial position date are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the statement of financial position date are included in other current assets.

Value added tax. Value added tax (“VAT”) related to sales is payable to tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases, which have not been settled at the statement of financial position date is recognised in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year from the statement of financial position date.

Financial instruments

(i) key measurement terms. Financial instruments of the Company are carried at amortised cost as described below. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense are not presented separately and are included in the carrying values of related statement of financial position items.

(ii) classification of financial assets. Financial assets of the Company include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise certain trade and other receivables (Note 10), non-current special bank account (Note 13) and cash and cash equivalents (Note 12) in the statement of financial position.

(iii) classification of financial liabilities. Financial liabilities of the Company include financial liabilities carried at amortised cost. The Company's financial liabilities comprise borrowings (Note 15) and trade and other payables (Note 17).

(iv) initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

(v) derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Trade and other payables. Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Advances received are stated at actual amounts received from third parties.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use starting from 1 January 2009 in accordance with the requirements of IAS 23 (revised) (Note 4). All other borrowing costs are stated in statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

Related parties. Related parties include the Company's shareholders, entities under control of common parent, key management personnel, and enterprises in which the Company's shareholders or key management personnel have an interest in the entity that gives them significant influence over the entity.

Provisions for liabilities and charges. Provisions for liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the statement of financial position date. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the statement of financial position date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into Tenge at the exchange rate prevailing at that date. Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the statement of comprehensive income.

At 31 December 2009 the principal rate of exchange used for translating foreign currency balances denominated in USD was USD 1 = Tenge 148.36 (2008: USD 1 = Tenge 120.77). Exchange restrictions and currency controls exist relating to converting Tenge into other currencies. At present, Tenge is not a freely convertible currency in most countries outside of the Republic of Kazakhstan.

Share capital. Ordinary shares are classified as equity. Preference shares are compound financial instruments that contain both a liability and an equity component. The liability is initially recognised at its fair value by applying the relevant effective interest rate to the amount of mandatory annual dividends using a net present value formula for perpetual period. Subsequently, it is measured at amortised cost. Effects of changes in cash flow estimates on carrying amounts are recognised in the statement of comprehensive income. At initial recognition, the equity component is the residual, i.e. it is the proceeds received from the issuance of the preference shares less the fair value of the liability. The equity component is not subsequently remeasured.

Dividends. Dividends, except for the mandatory annual dividends on preference shares, are recognised as a liability and deducted from equity at the statement of financial position date only if they are declared before or on the statement of financial position date. Mandatory annual dividends on preference shares are recognised as finance costs in the statement of comprehensive income. Dividends are disclosed when they are proposed before the statement of financial position date or proposed or declared after the statement of financial position date but before the financial statements are authorised for issue.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Revenue recognition. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenue from transmission services is recognized based on actual volumes of electricity transmitted during the reporting period. Revenues are shown net of VAT. Revenues from sales of electricity are recognised on accrual basis on the delivery of electricity. Revenues are measured at the fair value of the consideration received or receivable. Revenue is based on the application of authorised tariffs for corresponding services as approved by the Agency.

Long-term employee benefits. The Company provides long term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Company's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The Company recognises the long-term employee benefits as defined benefit post-employment plans and uses the accounting methodology accordingly. The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment. For defined benefit post-employment plans, the difference between the fair value of the plan assets (if any) and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Actuarial gains and losses arising in the year are taken to the statement of comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the statement of comprehensive income, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued annually by independent qualified actuaries.

Deferred revenue. In accordance with the resolution of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004, the Company obtained the customers contribution for the connecting infrastructure in a form of interest free borrowing with repayment term of twenty five years. The customers contributions are initially recognised at their fair value, then subsequently stated at amortised cost. The difference between the proceeds and the fair value is recognized as deferred revenue. Deferred revenue is subsequently recognized in the statement of comprehensive income over the useful life of the property, plant and equipment.

Payroll expense and related contributions. Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. On behalf of its employees, the Company pays those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the Republic of Kazakhstan. These payments are expensed as incurred. Upon retirement of the employee, the financial obligations of the Company cease and all subsequent payments to retired employees are administered by the state and private cumulative pension funds.

3 Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also make certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include:

Tax legislation. Kazakhstani tax legislation is subject to varying interpretations. Refer to Note 26.

3 Critical Accounting Estimates, and Judgments in Applying Accounting Policies (Continued)

Impairment of property, plant and equipment. At each reporting date the management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments which are deemed appropriate under the current circumstances.

According to IAS 36 "Impairment of Assets", one of the indicators of impairment are significant changes which have adverse effect on the Company and occur during the period or are expected in the nearest future in the technological, market, economic or legal environment of the Company's operations or at the market where the asset is intended. Accordingly, the current economic crisis requires the impairment test for the Company's assets as at 31 December 2009 (Note 26).

The management assessed the recoverable amount of the Company's property, plant and equipment based on the estimate of the expected future cash inflows and outflows from the assets operation, discount rate and other indicators. As at 31 December 2009 the recoverable amount of the Company's property, plant and equipment exceeds their carrying value, and accordingly, the Company did not recognize the impairment loss in these financial statements.

Revaluation of property, plant and equipment. Property, plant and equipment were revalued to fair value as of 1 April 2007. The revaluation was performed on the basis of an appraisal performed by an independent professional real estate appraisal company operating in the Republic of Kazakhstan under a license. The methodology used was the depreciated replacement cost. In applying the depreciated replacement cost, certain key elements needed to be considered, such as:

- an understanding of the asset, its function, and its environment;
- research and analysis to determine the remaining physical life (to estimate physical deterioration) and economic life of the asset;
- knowledge of the business requirements (to estimate functional/technical obsolescence);
- familiarity with the class of property through access to available market data;
- knowledge of construction techniques and materials (to estimate the cost of a modern equivalent asset); and
- sufficient knowledge to determine the impact of economic/external obsolescence on the value of the improvements.

The valuation was performed in accordance with the International Valuation Standard.

As of 31 December 2009 the Company has not performed the revaluation of property, plant and equipment since the management of the Company has assessed the effect of fair value change as of 31 December 2009 as insignificant. Revaluation of property, plant and equipment is planned for 2010 after agreeing with the Agency.

Defined benefit obligations. The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

4 New Accounting Pronouncements

a) Standards, interpretations and amendments effective in 2009 and relevant to the Company's operations

- ***IAS 1, Presentation of Financial Statements*** (revised September 2007; effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Company expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.

- ***IAS 23, Borrowing Costs*** (effective for annual periods beginning on or after 1 January 2009). The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. The Company has applied the standard prospectively and has assessed it as a change to the accounting policy.

4 New Accounting Pronouncements (Continued)

- ***IFRIC 18, 'Transfers of Assets from Customers'*** (effective from 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. The Company is currently assessing the impact of the new interpretation on its financial statements.

- ***Improvements to International Financial Reporting Standards*** (issued in May 2008). In 2007, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The Company does not expect the amendments to have any material effect on its financial statements except for the adoption of the amendment to IAS 23 "Borrowing cost". The Company has capitalized the unwinding expense on long-term loans obtained.

- ***IFRS 8, Operating Segments*** (effective for annual periods beginning on or after 1 January 2009). The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Management does not expect IFRS 8 to affect the Company's financial statements.

b) Standards, amendments and interpretations to existing standards that are effective in 2009 but not applicable to the Company's operations

- ***IFRIC 13, Customer Loyalty Programmes*** (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- ***IFRIC 15, Agreements for the Construction of Real Estate*** (effective for annual periods beginning on or after 1 January 2009). The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

- ***IFRIC 16, Hedges of a Net Investment in a Foreign Operation*** (effective for annual periods beginning on or after 1 October 2008). The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

- ***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment*** (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

- ***Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment*** (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies

4 New Accounting Pronouncements (Continued)

that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment*** (issued in May 2008; effective for annual periods beginning on or after 1 January 2009). The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment.

c) *Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations*

Published amendments and interpretations to the standards that are not yet effective and are required for the accounting periods of the Company, starting 1 January 2010 and after that date or for later periods but not relevant to the Company's operations are presented below:

- ***Embedded Derivatives - Amendments to IFRIC 9 and IAS 39*** (effective for annual periods ending on or after 30 June 2009). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

- ***IAS 27, Consolidated and Separate Financial Statements*** (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

- ***IFRS 3, Business Combinations*** (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

- ***Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement*** (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

- ***IFRIC 17, Distribution of Non-Cash Assets to Owners*** (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

- ***IFRS 1, First-time Adoption of International Financial Reporting Standards*** (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements

- ***The International Financial Reporting Standard for Small and Medium-sized Entities*** (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.

4 New Accounting Pronouncements (Continued)

- ***Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment*** (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

- ***Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS*** (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

- ***Classification of Rights Issues – Amendment to IAS 32, Financial Instruments: Presentation*** (effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.

- ***IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments*** (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

- ***Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14*** (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan.

- ***IAS 24, Related Party Disclosures*** (amended November 2009, effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Company is currently assessing the impact of the amended standard on disclosures in its financial statements.

- ***IFRS 9, Financial Instruments*** (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
    1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
    2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- ***Improvements to International Financial Reporting Standards*** (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint.

4 New Accounting Pronouncements (Continued)

ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Company does not expect the amendments to have any material effect on its financial statements

5 Segment Information

Business segments. The Company's primary format for reporting segment information is business segments. For the purpose of these financial statements one business segment represented by transmission of electricity and technical dispatch of electricity input to the network is identified as a reportable segment. Other activity carried out by the Company which is a sale of electricity to customers generates less than ten percent of total revenues and its related assets are less than ten percent of total assets.

Geographical segments. For the purpose of these financial statements one geographical reporting segment represented by Mangistau region, Republic of Kazakhstan is identified.

6 Related Party Balances and Transactions

Related parties are defined in IAS 24, *Related Party Disclosures*. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's immediate parent and ultimate controlling party are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Company had significant transactions or significant balances as at 31 December 2009, are presented below.

At 31 December 2009 and 2008, the outstanding trade receivable balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC KazPost	company under control of Samruk-Kazyna	83	69
JSC Trade house “Kazmunaigaz”	company under control of Samruk-Kazyna	34	8
JSC Kazkhtelecom	company under control of Samruk-Kazyna	21	5
JSC National Company KTZ	company under control of Samruk-Kazyna	-	299
Other	company under control of Samruk-Kazyna	15	11

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
Kazakhturkmunai LLP	company was under control of Samruk-Kazyna	140	44

At 31 December 2009 and 2008, the outstanding advances given balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC National Company KTZ	company under control of Samruk-Kazyna	569	244
JSC KazPost	company under control of Samruk-Kazyna	382	303
JSC Trade house “Kazmunaigaz”	company under control of Samruk-Kazyna	-	609
JSC KEGOC	company under control of Samruk-Kazyna	-	318

At 31 December 2009 and 2008, the outstanding trade payable balances with related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	314,266	342.615
JSC KEGOC	company under control of Samruk-Kazyna	886	-
JSC KazTransOil	company under control of Samruk-Kazyna	103	81
JSC KazPost	company under control of Samruk-Kazyna	35	-
JSC Kazakhtelecom	company under control of Samruk-Kazyna	-	53

6 Related Party Balances and Transactions (Continued)

At 31 December 2009 and 2008, the outstanding advances received balances from related parties were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
PF Uzenmunaigas	company under control of Samruk-Kazyna	124,731	125,819
KazGPZ LLP	company under control of Samruk-Kazyna	50,151	-
UDTV LLP	company under control of Samruk-Kazyna	9,990	8,029
JSC KazTransOil	company under control of Samruk-Kazyna	9,513	10,343
Temirzholenergo LLP	company under control of Samruk-Kazyna	3,474	-
JSC KazTransGas	company under control of Samruk-Kazyna	2,262	2,966
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	-	37,710
Other	company under control of Samruk-Kazyna	76	126

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC Karazhanbasmunai	company was under control of Samruk-Kazyna	22,225	25,829

During 2009 and 2008, the related party sales transactions were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
PF Uzenmunaigas	company under control of Samruk-Kazyna	1,388,871	1,235,890
KazGPZ LLP	company under control of Samruk-Kazyna	408,843	368,453
JSC KazTransOil	company under control of Samruk-Kazyna	132,158	103,881
UDTV LLP	company under control of Samruk-Kazyna	87,183	82,999
JSC KazTransGas	company under control of Samruk-Kazyna	18,687	21,177
JSC National Company KTZ	company under control of Samruk-Kazyna	11,647	15,035
Temirzholenergo LLP	company under control of Samruk-Kazyna	4,735	-
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	1,266	776
JSC KazMorTransFlot	company under control of Samruk-Kazyna	876	1,050
JSC Kazakhtelecom	company under control of Samruk-Kazyna	938	772
JSC KazPost	company under control of Samruk-Kazyna	581	433
JSC EmbaMunaigas	company under control of Samruk-Kazyna	552	369
Other	company under control of Samruk-Kazyna	250	106

Companies which are no more under control of Samruk-Kazyna:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
JSC Karazhanbasmunai	company was under control of Samruk-Kazyna	348,638	281,588
Kazakhturkmunai LLP	company was under control of Samruk-Kazyna	1,876	1,597

6 Related Party Balances and Transactions (Continued)

During 2009 and 2008, the related party purchase transactions were as follows:

In thousands of Kazakhstani Tenge	**Relationship**	**2009**	**2008**
Purchasing of electricity:			
MAEK Kazatomprom LLP	company under control of Samruk-Kazyna	1,560,142	1,362,077
Transmission of electric power:			
JSC KEGOC	company under control of Samruk-Kazyna	40,270	32,677
Supply of fuel:			
JSC Trade House KazMunaiGas	company under control of Samruk-Kazyna	656	2,859
Post services:			
JSC KazPost	company under control of Samruk-Kazyna	581	788
Supply of water:			
JSC KazTransOil	company under control of Samruk-Kazyna	790	640
Communication services:			
JSC Kazakhtelecom	company under control of Samruk-Kazyna	503	592
Transportation services:			
JSC National Company KTZ	company under control of Samruk-Kazyna	246	238
Other	company under control of Samruk-Kazyna	1,680	-

Key management compensation

Key management consists of the Company's management of 4 persons as at 31 December 2009 (2008: 4 persons). Compensation paid for their services in full time executive management positions is made up of a contractual salary, bonuses, and vacation pay.

In thousands of Kazakhstani Tenge	**2009**	**2008**
Salary	23,688	42,500
Post-employment benefits	2,603	343
Total key management compensation	**26,291**	**42,843**

Terms of related parties transactions

Services are rendered to the related parties on the same terms as to the third companies. Outstanding balances as at the end of the year are not secured, and settlements are made in cash. No guarantees are issued or received in regard to the accounts receivable from the related parties. Purchases from related parties are made on terms determined by common rules approved by Board of Directors of JSC "National Welfare Fund "Samruk-Kazyna"".

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstani Tenge	**Buildings**	**Transmission lines and equipment**	**Vehicles**	**Other**	**Construction in progress**	**Total**
Cost						
As at 1 January 2008	735,971	38,016,436	107,430	67,496	176,944	39,104,277
Additions	-	39,308	44,620	25,080	1,143,655	1,252,663
Disposals	-	(1,711)	(4,120)	(5,058)	-	(10,889)
Transfers	59,813	22,918	4,186	-	(86,917)	-
As at 31 December 2008	**795,784**	**38,076,951**	**152,116**	**87,518**	**1,233,682**	**40,346,051**
Additions	10,290	235,978	-	9,577	2,764,797	3,020,642
Disposals	-	-	(495)	(4,125)	-	(4,620)
Transfers	81,272	3,165,741	-	-	(3,247,013)	-
As at 31 December 2009	**887,346**	**41,478,670**	**151,621**	**92,970**	**751,466**	**43,362,073**
Accumulated depreciation						
As at 1 January 2008	(437,698)	(28,563,094)	(54,358)	(27,538)	-	(29,082,688)
Depreciation charge	(9,974)	(468,185)	(12,253)	(7,962)	-	(498,374)
Disposals	-	1,274	4,120	4,040	-	9,434
As at 31 December 2009	**(447,672)**	**(29,030,005)**	**(62,491)**	**(31,460)**	**-**	**(29,571,628)**
Depreciation charge	(11,026)	(507,113)	(15,833)	(10,016)	-	(543,988)
Disposals	-	-	495	3,095	-	3,590
As at 31 December 2009	**(458,698)**	**(29,537,118)**	**(77,829)**	**(38,381)**	**-**	**(30,112,026)**
Carrying amount as at 31 December 2008	**348,112**	**9,046,946**	**89,625**	**56,058**	**1,233,682**	**10,774,423**
Carrying amount as at 31 December 2009	**428,648**	**11,941,552**	**73,792**	**54,589**	**751,466**	**13,250,047**

The amount of fully depreciated property, plant and equipment is 80,725 thousand Tenge and 37,239 thousand Tenge as of 31 December 2009 and 2008, respectively.

Buildings, transmission lines, equipment and related construction in progress were last revalued on 31 March 2007 by independent appraiser, BusinessConsulting LLP. The basis used for the appraisal was depreciated replacement cost. Depreciated replacement costs were estimated based on comparative information obtained from producers of fixed assets and depreciation analysis.

7 Property, Plant and Equipment (Continued)

If the Company's property, plant and equipment were stated on the historical cost basis, the amounts would be as follows:

In thousands of Kazakhstani Tenge	Buildings	Transmission lines and equipment	Vehicles	Other	Construction in progress	Total
At 31 December 2008						
Cost	424,647	9,209,728	152,116	87,518	1,230,505	11,104,514
Accumulated depreciation	(246,745)	(5,681,434)	(62,491)	(31,460)	-	(6,022,130)
Net book value	**177,902**	**3,528,294**	**89,625**	**56,058**	**1,230,505**	**5,082,384**
At 31 December 2009						
Cost	516,209	12,451,280	151,621	92,970	748,675	13,960,755
Accumulated depreciation	(253,034)	(5,828,911)	(77,829)	(38,381)	-	(6,198,155)
Net book value	**263,175**	**6,622,369**	**73,792**	**54,589**	**748,675**	**7,762,600**

Depreciation expense has been charged to the following line items:

In thousands of Kazakhstani Tenge	2009	2008
Cost of sales	537,796	492,786
General and administrative expenses	6,192	5,588
Total depreciation charge	**543,988**	**498,374**

8 Intangible assets

In thousands of Kazakhstani Tenge	Program software	Other	Total
Cost as at 1 January 2008	**3,635**	**20**	**3,655**
Accumulated Amortization	**(875)**	**(14)**	**(889)**
Net book value as at 1 January 2008	2,760	6	2,766
Additions	7,811	-	7,811
Amortization	(925)	(3)	(928)
Net book value as at 31 December 2008	**9,646**	**3**	**9,649**
Cost as at 31 December 2008	**11,446**	**20**	**11,466**
Accumulated Amortization	**(1,800)**	**(17)**	**(1,817)**
Net book value 31 December 2008	9,646	3	9,649
Additions	31,368	133	31,501
Amortization	(5,440)	(16)	(5,456)
Net book value as at 31 December 2009	35,574	120	35,694
Cost as at 31 December 2009	**42,814**	**153**	**42,967**
Accumulated Amortization	**(7,240)**	**(33)**	**(7,273)**
Net book value 31 December 2009	35,574	120	35,694

9 Inventories

In thousands of Kazakhstani Tenge	**2009**	**2008**
Raw materials	102,070	88,369
Goods	18,846	267
Spare parts	5,602	5,057
Fuel and lubricants	5,530	7,997
Other	8,265	25,052
Less: provisions for obsolete and slow-moving inventories	(25,007)	(30,313)
Total inventories	**115,306**	**96,429**

Below are movements in the provision for obsolete and slow-moving inventories:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Balance at beginning of year	30,313	21,013
(Recovery of)/provision for impairment during the year (Note 20)	(4,015)	9,722
Write off during the year	(1,291)	(422)
Balance at end of year	**25,007**	**30,313**

10 Trade and Other Receivables

In thousands of Kazakhstani Tenge	**2009**	**2008**
Trade receivables	79,827	62,810
Receivable from residences	17,219	5,556
Less: provision for impairment of trade receivables	(567)	(871)
Total financial assets	96,479	67,495
Advances to suppliers	6,329	67,357
Receivables from employees	869	739
Other receivables	1,894	2,884
Less: provision for impairment of advances to suppliers	(2,627)	(561)
Total trade and other receivables	**102,944**	**137,914**

The carrying amounts of the Company's financial assets within trade and other accounts receivable are denominated in Tenge, and approximate their fair values because of the short maturities of these instruments.

Analysis by credit quality of trade receivables and receivable from residences is as follows:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Current and not impaired – exposure to		
- Medium sized companies	62,266	53,647
- Receivable from residences	17,219	5,556
Total current and not impaired	**79,485**	**59,203**
Past due but not impaired		
- 30 to 60 days overdue	15,178	7,018
- 60 to 360 days overdue	2,383	1,648
- over 360 days overdue	-	497
Total past due but not impaired	**17,561**	**9,163**
Total past due and impaired	**(567)**	**(871)**
Total	**96,479**	**67,495**

10 Trade and Other Receivables (Continued)

As of 31 December 2008 the Company does not have collaterals.

Below are movements in the provision for impairment of trade receivables and advances to suppliers:

	2009		2008	
In thousands of Kazakhstani Tenge	Trade receivables	Advances to suppliers	Trade receivables	Advances to suppliers
Provision for impairment at 1 January	871	561	634	1,511
(Recovery of)/provision for impairment during the year (Note 20)	(146)	2,082	242	(850)
Amounts written off during the year as uncollectible	(158)	(16)	(5)	(100)
Provision for impairment at 31 December	567	2,627	871	561

11 VAT Receivable

The VAT receivable consists of VAT paid on local services. VAT is calculated as 12% of the value of goods or services rendered. Management expects that VAT receivable amounting to 117,273 thousand Tenge will be offset against VAT output in subsequent period.

12 Cash and Cash Equivalents

In thousands of Kazakhstani Tenge	**2009**	**2008**
Cash at bank accounts, Tenge	1,989,348	1,576,946
Restricted cash	14,231	-
Cash on hand	562	321
Total cash and cash equivalents	**2,004,141**	**1,577,267**

In order to maintain a required level of liquidity of its instruments the Company purchases and then re-sells a certain number of its ordinary shares and bonds. For the purpose of timely conclusion of market making deals the Company is obliged to maintain a cash account within the Central depository sufficient to cover minimal quotes which are based on internal Stock Exchange documents. This cash account is restricted for use.

13 Other Non-Current Assets

In thousands of Kazakhstani Tenge	**2009**	**2008**
Advances for construction and property, plant and equipment	993,518	1,832,016
Other non-current assets – Restricted cash	-	862,749
Advances for intangible assets	-	27,284
Total other non-current assets	**993,518**	**2,722,049**

Advances for construction include 988,921 thousand Tenge given to the Company's contractor ASPMK-519 LLP (2008: 1,632,913 thousand Tenge). The Company obtained funds from customers for the construction of connecting infrastructure to the electricity transmission network or reconstruction of the existing infrastructure. During 2009 the Company has used a special bank account for such funds from customers.

14 Share Capital

In thousands of Kazakhstani Tenge	***Number of outstanding shares***	**Ordinary shares**	**Share premium**	**Preference shares**	**Total**
At 1 January 2008	***1,676,739***	**924,574**	**-**	**12,319**	**936,893**
New shares issued	*430,549*	251,871	523,998	-	775,869
Treasury shares purchased	*(39,613)*	(23,174)	(78,540)	-	(101,714)
Treasury shares sold	*37,017*	21,655	68,295	-	89,950
At 31 December 2008	***2,104,692***	**1,174,926**	**513,753**	**12,319**	**1,700,998**
New shares issued	-	-	-	-	-
Treasury shares purchased	*(23,217)*	(13,582)	(41,370)	-	(54,952)
Treasury shares sold	*102*	60	120	-	180
At 31 December 2009	***2,081,577***	**1,161,404**	**472,503**	**12,319**	**1,646,226**

The total authorised number of ordinary shares is 2,011 thousand shares with a par value of 585 Tenge per share as of 31 December 2009 (2008: 2,011 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote. In 2008 the Company issued and sold 430,549 of its ordinary shares through the Kazakhstan Stock Exchange or direct sales to the investors. In 2009 in order to maintain a required level of liquidity of its shares the Company purchased and then re-sold a certain number of its ordinary shares.

The total authorised number of preference shares is 96,272 shares (2008: 96,272 shares) with a par value of Tenge 585 per share (2008: Tenge 585 per share). All issued preference shares are fully paid. The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company's liquidation. The preference shares do not provide its holders with the right to participate in the management of the company, except in instances where decisions are made in relation to re-organisation and liquidation of the Company, and where the general meeting of company's shareholders is considering a decision which may restrict the rights of the holder of preference shares, and where the dividend on preference shares will not be paid in full for three months from the date of expiry of the period established for its payment. Preference share dividends are set at 10 % p.a. (2008: 10 % p.a.) and rank above ordinary dividends.

Share premium represents the excess of contributions received over the nominal value of shares issued.

Dividends declared and paid during the year were as follows:

	2009		**2008**	
In thousands of Kazakhstani Tenge	**Ordinary**	**Preference**	**Ordinary**	**Preference**
Dividends payable at 1 January	-	7,865	-	7,396
Dividends declared during the year	34,838	5,632	4,603	5,632
Dividends paid during the year	(34,790)	(4,925)	(4,603)	(5,163)
Dividends payable at 31 December	**48**	**8,752**	**-**	**7,865**
Dividends per share declared during the year	**17.32**	**58.5**	**2.29**	**58.5**

15 Borrowings

In thousands of Kazakhstani Tenge	2009	2008
Accrued interest	183,137	121,820
Short-term portion of long-term debt	499,201	-
Total short term borrowings	**682,338**	**121,820**
Long term debt		
Bonds issued	2,764,408	2,476,569
Long-term loan (Note 16)	750,739	692,186
Total long term borrowings	**3,515,147**	**3,168,755**
Total borrowings	**4,197,485**	**3,290,575**

Bonds issued. In August 2005, the Company issued and placed 500,000 thousand Tenge denominated coupon bonds with a discount of 456 thousand Tenge bearing interest at 13% per annum. In November 2006, the Company issued and placed an additional 700,000 thousand Tenge denominated coupon bonds with a discount of 25 thousand Tenge bearing interest at 12% per annum. In May 2007, the Company issued and placed 500,000 thousand Tenge denominated coupon bonds with a discount of 104 thousand Tenge bearing interest at 12% per annum. In February 2008, the Company issued and placed 800,000 thousand fifth Tenge denominated coupon bonds with a discount of 216 thousand Tenge bearing interest at 16% per annum. In 2009 the Company has issued and placed 800,000 thousand Tenge denominated coupon bonds of the fifth emission with a discount of 15,336 thousand Tenge bearing interest at 16% per annum.

All bonds were issued without collateral on the Kazakhstan Stock Exchange and were sold to pension funds and various financial organizations.

Contractual maturity repayment schedules of the bonds are as follows:

In thousands of Kazakhstani Tenge	Less than 1 year	1-2 years	3-5 years	Over 5 years	Total
Bonds	500,000	700,000	2,100,000	-	3,300,000
Long-term loan (Note 16)	2,758	139,139	557,257	1,896,179	2,595,333
Total	**502,758**	**839,139**	**2,657,257**	**1,896,179**	**5,895,333**

The carrying amounts and fair values of borrowings are as follows:

	Carrying amounts		Fair values	
In thousands of Kazakhstani Tenge	2009	2008	2009	2008
Bonds issued	3,443,988	2,598,389	3,849,717	2,589,526
Long-term loan (Note 16)	753,497	692,186	753,497	692,186
Total borrowings	**4,197,485**	**3,290,575**	**4,603,214**	**3,281,712**

16 Deferred Revenue

Based on the resolution of the Government of the Republic of Kazakhstan #1044 dated 8 October 2004 the Company obtained funds from customers to help finance the construction of connecting infrastructure to the electricity transmission network or the reconstruction of the existing infrastructure. These funds are interest free and repayable to the customers within twenty five years. The customers' contributions were initially recognised at their fair value, determined by applying the effective interest method, at prevailing market rates (2009: 16%, 2008: 16% and 2007: 12%), then subsequently stated at amortised cost within long-term loans (Note 15). The difference between the proceeds and the fair value was recognized as deferred revenue. The deferred revenue is subsequently recognized in the statement of comprehensive income over the useful life of the property, plant and equipment. The Company recognized such income in the statement of comprehensive income in the amount of 7,911 thousand Tenge (2008: nil) (Note 18).

In accordance with the Law of Republic of Kazakhstan #116-IV dated 29 December 2008 effective from 1 January 2009 such customer contributions were cancelled.

The Company received 51,480 thousand Tenge, 2,094,596 thousand Tenge and 449,820 thousand Tenge as the customer contributions in 2009, 2008 and 2007, respectively. The funds received in 2009 are the customers' obligations on the contracts concluded before 1 January 2009.

17 Trade and Other Payables

In thousands of Kazakhstani Tenge	**2009**	**2008**
Trade payables	384,588	358,174
Dividends payable	8,620	7,865
Total financial liabilities	393,208	366,039
Advances received	317,240	307,922
Salaries payable	47,674	40,604
Taxes payable (Note 24)	15,381	16,530
Reserve for unused vacation	9,823	6,864
Short-term employee benefits	4,114	1,910
Other payables	6,822	14,101
Total trade and other payables	**794,262**	**753,970**

18 Revenue

In thousands of Kazakhstani Tenge	**2009**	**2008**
Electricity transmission	4,052,391	3,419,196
Sale of electricity	214,671	179,018
Other revenue	7,911	-
Total revenue	**4,274,973**	**3,598,214**

Based on the resolution of the Agency of the Republic of Kazakhstan on regulation of natural monopolies #121-OD dated 29 December 2008, effective from 1 January 2009 the Company's tariff for the transmission of electricity was increased from 1.80 Tenge to 1.88 Tenge per 1 kilowatt-hour. Further increase from 1.88 Tenge to 1.95 Tenge per 1 kilowatt-hour has occurred based on the resolution of the Agency of the Republic of Kazakhstan on regulation of natural monopolies #45-OD dated 24 April 2009. Tariff for sale of electricity is 7.23 Tenge per 1 kilowatt-hour (2008: 6.3 Tenge).

19 Cost of Sales

In thousands of Kazakhstani Tenge	**2009**	**2008**
Electricity losses on transmission	1,413,332	1,235,009
Payroll expenses and related costs	554,042	470,276
Depreciation and amortization	543,252	493,714
Inventory	248,115	243,796
Repair and other third party services	167,576	185,472
Purchased electricity	131,335	114,707
Transmission services	40,270	32,678
Business trip	53,681	42,622
Electricity for own purpose	14,836	11,986
Other third party services	43,220	36,448
Total cost of sales	**3,209,659**	**2,866,708**

20 General and Administrative Expenses

In thousands of Kazakhstani Tenge	**2009**	**2008**
Property tax and other taxes	156,077	103,376
Payroll and related expenses	127,985	122,130
Legal, consulting, and audit services	19,788	41,429
Inventory	15,791	16,369
Actuarial loss	15,258	778
Communication expenses	6,501	5,771
Depreciation and amortization	6,192	5,520
Travel expenses	5,960	4,858
Board of Directors sustain expenses	4,357	2,768
Rent of vehicles	3,960	3,600
Insurance expenses	3,090	3,706
Bank charges	2,749	2,885
Representative expenses	2,026	3,525
Provision for impaired receivables and short-term advances given	1,936	-
Financial aid and sponsorship	1,251	888
Advertising expenses	947	4,344
Provision for obsolete inventory	-	9,722
Reversal of impairment of other receivables	-	(608)
Reversal of impairment of inventory	(4,015)	-
Other	15,843	13,143
Total general and administrative expenses	**385,696**	**344,204**

21 Selling Expenses

In thousands of Kazakhstani Tenge	**2009**	**2008**
Payroll and related expenses	31,024	28,639
Post services	3,256	2,947
Business trip expenses	595	544
Office rent	239	233
Total selling expenses	**35,114**	**32,363**

22 Finance Costs

In thousands of Kazakhstani Tenge	**2009**	**2008**
Interest expense on borrowings	268,730	317,620
Long-term loans: unwinding of the present value discount	24,317	22,106
Bonds: discount of the redeemed bonds write off	11,834	-
Dividends on preference shares	5,632	5,632
Long-term employee benefits: unwinding of the present value discount	3,485	2,682
Amortization of discount	1,178	-
Total finance costs	**315,176**	**348,040**

23 Long-Term Employee Benefits

Changes in benefit obligations are as follows:

In thousands of Kazakhstani Tenge	2009	2008
Present value of defined benefit obligation at start of year	30,044	23,122
Benefits paid	(2,817)	-
Unwinding of discount	3,485	2,682
Current service cost	6,265	3,462
Actuarial loss	15,258	778
Present value of defined benefit obligation at end of year	**52,235**	**30,044**

All defined benefit obligations as of 31 December 2009 are wholly unfunded.

Amounts recognised in the statement of financial position and statement of comprehensive income are as follows:

In thousands of Kazakhstani Tenge	2009	2008
Short-term obligation at end of year (Note 17)	4,114	1,910
Long-term obligation at end of year	48,121	28,134
Net liability	**52,235**	**30,044**
Unwinding of discount	3,485	2,682
Current service cost	6,265	3,462
Actuarial loss	15,258	778
Expense recognized in statement of comprehensive income	**25,008**	**6,922**

Unwinding of discount was included in the finance costs (see Note 22).

Actuarial loss and current service expenses were included in the statement of comprehensive income as part of general and administrative expenses.

In thousands of Kazakhstani Tenge	2009	2008
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	16,036	778

In thousands of Kazakhstani Tenge	2009	2008
Present value of defined benefit obligation at end of year	52,235	30,044

No experience adjustment losses on defined benefit obligation were recognised in 2009.

Principal actuarial assumptions at the statement of financial position date are as follows:

	2009	2008
Discount rate at 31 December	7.2%	11.6%
Future salary increases	7.0%	10.0%
Average labour turnover rate of personnel	10.6%	20.4%

The mortality rates used in calculating employee benefits as of 31 December 2009 were based on official Kazakhstani actuarial center data.

24 Taxes

Income tax expense comprises the following:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Current income tax expense	-	19,535
Current income tax expense – adjustment to prior period CIT expense	1,131	-
Deferred income tax (benefit)/expense	47,431	(59,117)
Income tax expense/(benefit) for the year	**48,562**	**(39,582)**

In 2003 and 2004, the Company and Investment Committee of the Ministry of Industry and Trade signed the Investment Agreements for the total investment of 488,936 thousand Tenge. According to the Investment Agreements the Company is entitled to the following investment allowances:

- a right for tax deduction (at equal amounts for the period of five years) of the cost of newly constructed and put into operation fixed assets;
- full exemption from property tax on fixed assets newly constructed and put into operation for the period of two years from the date of acceptance of constructed facilities by the state acceptance boards;

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstani Tenge	**2009**	**2008**
Profit before income tax	353,721	30,094
Theoretical tax charge at statutory rate of 20 percent (30 percent in 2008)	70,744	9,028
Tax effect of items which are not deductible or assessable for taxation:		
- Effect of accelerated tax depreciation	(25,609)	
- Effect of change in corporate income tax rates	(3,354)	(51,297)
- Other non-deductible expenses	6,781	2,687
Income tax expense/(benefit) for the year	**48,562**	**(39,582)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement. Due to changes in the tax legislation of the Republic of Kazakhstan effective from 1 January 2009, the income tax rate in 2009-2012 is 20%, in 2013 – 17.5%, in 2014 and further – 15% (2008: 30%).

24 Taxes (Continued)

In thousands of Kazakhstani Tenge	**31 December 2008**	**Charged/ (credited) to profit or loss**	**Charged/ (credited) directly to equity**	**31 December 2009**
Tax effect of deductible temporary differences				
Losses carried forward	-	4,062	-	4,062
Taxes accrued but not paid	1,658	(1,406)	-	252
Unused vacation reserves	2,386	(421)	-	1,965
Provision on inventory/receivable	6,454	(814)	-	5,640
Employee benefits	2,493	7,954	-	10,447
Unwinding of discount	3,316	1,547	-	4,863
Deferred revenue	-	(1,582)	-	(1,582)
Gross deferred tax asset	16,307	9,340	-	25,647
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	1,106,497	56,928	(17,765)	1,145,660
Other	157	(157)	-	-
Gross deferred tax liability	1,106,654	56,771	(17,765)	1,145,660
Total deferred tax liability, net	**1,090,347**	**47,431**	**(17,765)**	**1,120,013**

In thousands of Kazakhstani Tenge	**1 January 2008**	**Charged/ (credited) to profit or loss**	**Charged/ (credited) directly to equity**	**31 December 2008**
Tax effect of deductible temporary differences				
Losses carried forward	14,232	(14,232)	-	-
Taxes accrued	2,276	(618)	-	1,658
Unused vacation reserves	3,037	(651)	-	2,386
Provision on inventory/receivable	6,948	(494)	-	6,454
Employee benefits	1,455	1,038	-	2,493
Unwinding of discount	-	3,316	-	3,316
Gross deferred tax asset	27,948	(11,641)	-	16,307
Tax effect of taxable temporary differences				
Property, plant and equipment and intangible assets	2,148,146	(70,212)	(971,437)	1,106,497
Other	703	(546)	-	157
Gross deferred tax liability	2,148,849	(70,758)	(971,437)	1,106,654
Total deferred tax liability, net	**2,120,901**	**(59,117)**	**(971,437)**	**1,090,347**

Taxes payable. Presented below are taxes payable (Note 17):

In thousands of Kazakhstani Tenge	**2009**	**2008**
Social tax	6,951	7,386
Personal income tax	8,044	9,144
Property tax	372	-
Other	14	-
Total taxes payable	**15,381**	**16,530**

25 Earnings Per Share

The Company has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal to the basic earnings per share.

Earnings per share are calculated as follows:

In thousands of Kazakhstani Tenge (except earnings per share)	**2009**	**2008**
Weighted average number of shares:		
Ordinary shares	1,987,197	1,813,378
Preference shares	96,272	96,272
Total number of shares	**2,083,469**	**1,909,650**
Profit attributable to the Company's shareholders	**305,159**	**69,676**
Less:		
Additional preference dividends declared during the year	-	-
Undistributed earnings	**305,159**	**69,676**
Less: Ordinary shareholders' minimum dividend	(34,838)	(4,603)
Allocation to ordinary shareholders	243,289	58,566
Allocation to preference shareholders	27,032	6,507
	270,321	**65,073**
Basic earnings per share amounts:		
Preference shares		
Undistributed earnings	280.79	67,59
Total earnings per preference share	**280.79**	**67.59**
Ordinary shares		
Undistributed earnings	122.43	32.30
Total earnings per ordinary share	**122.43**	**32.30**

26 Contingencies, Commitments and Operating Risks

Recent volatility in global financial markets

The ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against. The volume of wholesale financing has significantly reduced. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors of the Company may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Company's operations are important for oil and gas companies operating in Mangistau region. The Company is a natural monopoly and provides required level of electricity power volumes to oil and gas companies in the region. The Company expects an annual increase of electricity transportation up to 8%. The Management does not anticipate a reduction of transportation volumes and is expecting a successful installation of additional capacities in the following 2-3 years. In order to implement governmental program of Mangistau region development, and considering the forecasted electricity consumptions volumes, the Company has developed and adopted the Plan of prospective development of electrical networks for the period up to 2015 with the planned total capital investment of Tenge 24 billion.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Political and economic situation in Kazakhstan

Economy of the Republic of Kazakhstan continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the use of a currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Additionally, sector of electricity transportation services in Kazakhstan is impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Company's control.

The financial condition and future operations of the Company may be adversely affected by continued economic difficulties. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these financial statements.

Legal proceedings

In the course of normal operations, the Company is subject to litigations and claims. The Company's management believes that final obligations, if any, arising from such litigations and claims will not have any significant adverse effect on the future financial position or operations of the Company.

Environmental matters

The enforcement of environmental regulation in the Republic of Kazakhstan is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Taxation

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of some transactions of the Company by tax authorities for the tax purposes may not coincide with that of the Company's management. As a result, such transactions may be challenged by the tax authorities and the Company may be assessed additional taxes, penalties and interest. Tax periods remain open to retrospective review by the tax authorities for five years.

26 Contingencies, Commitments and Operating Risks (Continued)

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained. In the opinion of the Company's management, no material losses will be incurred in respect of existing and potential tax claims.

Change in tax legislation

New Tax Code and subordinate regulatory acts have been signed by the President of the Republic of Kazakhstan on December 10, 2008. The new Tax Code of the Republic of Kazakhstan is effective from 1 January 2009. Major changes include: corporate income tax rate decreased from 30% to 20% in the financial year 2009, to 17.5% in 2010, and to 15% in the year 2011; VAT rates are changed from 13% to 12%, the fixed social tax rate of 11% is introduced, the property tax rate is increased from 1% to 1.5% only in relation to real estate tax base, and other changes are introduced. In accordance with the Law of the Republic of Kazakhstan dated 16 November 2009, an amendment to suspend application of the Tax Code in the part of corporate income tax rate till 1 January 2014 has been accepted, according to which the following corporate income tax rates will be applied during the suspension period: from 1 January 2009 to 1 January 2013 - 20% and from 1 January 2013 to 1 January 2014 - 17.5%.

27 Financial Risk Management

Financial instruments by classes. Financial instruments presented in the statement of financial position as separate line items are not divided into classes. Financial instruments included in a particular line item of the statement of financial position are considered by the Company's management to have similar characteristics in terms of associated risks.

Financial risk factors. The Company's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Credit risk. Credit risk arises from cash and cash equivalents and credit exposures to customers, represented by corporate clients. The carrying amount of cash (including restricted cash) and accounts receivable, net of provision for impairment of receivables, totaling to 2,100,620 thousand Tenge represents the maximum amount exposed to credit risk (2008: 2,507,511 thousand Tenge). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provisions already recorded.

Cash is placed in financial institutions, which are considered to have minimal risk of default. The table below shows the rating and balances with major banks at 31 December 2009 and 2008:

	Rating agency	Rating	2009	2008
Halyk Bank	Standard & Poor's	B+ (long-term)	331,105	741,297
Kazkommertsbank	Standard & Poor's	B (long-term)	1,658,243	1,698,396

Interest rate risk. The Company has no potential interest rate risk relates to the issued and placed Tenge denominated fixed rate coupon bonds.

Liquidity risk. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which controls Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and bonds issue and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

27 Financial Risk Management (Continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (except for preference shares and long-term loan, for which maturities were presented based on present value figures). Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In thousands of Kazakhstani Tenge	**Less than 1 year**	**Between 1 and 2 years**	**Between 3 and 5 years**	**Over 5 years**
At 31 December 2009				
Interest payments	469,000	404,000	576,000	-
Bonds (Note 15)	500,000	700,000	2,100,000	-
Long-term loan (Note 15)	2,758	139,139	557,257	1,896,179
Trade and dividend payables (Note 17)	393,208	-	-	-
Current borrowings	179,580	-	-	-
Preference shares	-	-	-	44,000
Total financial liabilities	**1,544,546**	**1,243,139**	**3,233,257**	**1,940,179**
At 31 December 2008				
Interest payments	341,000	341,000	532,000	-
Bonds (Note 15)	-	500,000	2,000,000	-
Long-term loan (Note 15)	-	2,758	506,781	2,034,807
Trade and dividend payables (Note 17)	366,039	-	-	-
Current borrowings	121,820	-	-	-
Preference shares	-	-	-	44,000
Total financial liabilities	**828,859**	**843,758**	**3,038,781**	**2,078,807**

No other financial liabilities exist as at 31 December 2009 and 2008.

Capital risk management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. The Company's strategy, which was unchanged since 2008, is to minimize the gearing ratio by repaying its debt. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "trade and dividends payables" as shown in the Note 17) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

Description	**2009**	**2008**
Total borrowings (Note 15, 17)	4,590,693	3,656,614
Less: cash and cash equivalents	2,004,141	1,577,267
Net debt	2,586,552	2,079,347
Total equity	8,537,322	8,304,008
Total capital	11,138,036	10,383,355
Gearing ratio	**23%**	**20%**

28 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of trade receivables and other receivables approximate fair values. Cash and cash equivalents are carried at amortised cost which approximates their current fair value.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Estimated fair value of borrowings are provided in the Note 15 at 31 December 2009 and 2008. Due to the short-term nature of trade payable and dividends payable, their carrying amount approximates its current fair value.