JSC National Atomic Company "Kazatomprom"

Consolidated Financial Statements
as at and for the year ended 31 December 2010

CONTENTS

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

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditor's in relation to the consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (hereinafter the "Group").

Management of JSC National Atomic Company "Kazatomprom" (the "Company") is responsible for the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") that present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2010, and the consolidated results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2010 were authorized for issue by the management of the Group on 25 March 2011.

On behalf of management of the Group:

Yashin S.A.
Deputy Chairman

25 March 2011
Almaty, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant

25 March 2011
Almaty, Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JSC National Atomic Company "Kazatomprom"

We have audited the accompanying consolidated financial statements of JSC National Atomic Company "Kazatomprom" and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Daulet Kuatbekov
Engagement Partner
Certified auditor,
certificate #0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
Number 0000015, type MFU-2, given by the Ministry of Finance
of the Republic of Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

25 March 2011
Almaty, Republic of Kazakhstan

	Notes	2010 '000 KZT	2009 '000 KZT
Revenue	7	230,938,870	178,506,818
Cost of sales	8	(166,958,408)	(112,709,539)
Gross profit		**63,980,462**	**65,797,279**
Distribution expense	9	(2,325,968)	(1,824,124)
Administrative expense	10	(13,264,911)	(8,984,719)
Financial income	11	5,306,714	3,111,251
Financial expense	11	(9,926,646)	(7,834,292)
Foreign exchange gains/(losses)		426,632	(9,653,705)
Share of results of associates	21	27,372,850	13,503,206
Share of results of jointly controlled entities	22	9,782,712	3,345,890
Other income	12	813,294	865,510
Other expense	13	(8,496,867)	(4,254,120)
Profit before income tax		**73,668,272**	**54,072,176**
Income tax expense	15	(13,729,672)	(12,612,443)
Profit for the year		**59,938,600**	**41,459,733**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		172,288	297,874
Other comprehensive income for the year, net of tax		**172,288**	**297,874**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**60,110,888**	**41,757,607**
Profit for the year attributable to:			
Owners of the Company		59,014,067	40,683,975
Non-controlling interests		924,533	775,758
		59,938,600	**41,459,733**
Total comprehensive income for the year attributable to:			
Owners of the Company		59,186,355	40,981,849
Non-controlling interests		924,533	775,758
		60,110,888	**41,757,607**
Earnings per share from continuing operations			
Basic and diluted	16	1,608	1,109

These consolidated financial statements were approved by management on 25 March 2011 and were signed on its behalf by:

Yashin S.A.
Deputy Chairman

25 March 2011
Almaty, Republic of Kazakhstan

Bashakova S.S.
Chief Accountant

25 March 2011
Almaty, Republic of Kazakhstan

The accompanying notes on pages 9-75 form an integral part of these consolidated financial statements.

	Notes	31.12.2010 '000 KZT	31.12.2009 '000 KZT
ASSETS			
Non-current assets			
Property, plant and equipment	17	85,804,206	79,207,322
Mine development assets	18	23,182,158	17,455,372
Intangible assets		596,707	191,547
Mineral rights	19	1,767,044	895,764
Exploration and evaluation assets	20	5,785,231	3,865,138
Investments in associates	21	60,919,935	35,745,953
Investments in jointly controlled entities	22	12,657,452	6,495,472
Other investments	23	66,045,648	66,045,671
Investment property		800	889,547
Advances paid and other receivables	26	3,846,483	1,769,348
Deferred tax assets	28	1,738,329	1,639,226
Term deposits	29	1,926,622	1,040,154
Loans to related parties	30	10,751,444	-
Restricted cash	32	1,668,391	-
Inventories	27	6,550,761	7,077,867
Total non-current assets		**283,241,211**	**222,318,381**
Current assets			
Inventories	27	55,759,613	52,103,354
Asset held for the benefit of the ultimate controlling party	25	3,428,125	-
Prepaid income tax		1,877,573	3,876,978
Trade receivables	24	56,066,466	32,225,631
Advances paid and other receivables	26	28,134,664	22,240,603
Term deposits	29	77,133,161	22,742,735
Cash and cash equivalents	31	22,384,108	30,082,948
Restricted cash	32	-	1,662,066
Loans to related parties	30	512,000	-
Total current assets		**245,295,710**	**164,934,315**
Total assets		**528,536,921**	**387,252,696**

	Notes	31.12.2010 '000 KZT	31.12.2009 '000 KZT
EQUITY AND LIABILITIES			
Equity			
Share capital	33	36,692,362	36,692,362
Additional paid-in capital		4,806,535	5,330.324
Foreign currency translation reserve		(1,144,499)	(1,316.787)
Retained earnings		226,175,357	194,418.746
Total equity attributable to Owners of the Company		**266,529,755**	**235,124,645**
Non-controlling interest		12,889,952	9,109,619
Total equity		**279,419,707**	**244,234,264**
Non-current liabilities			
Loans and borrowings	34	110,612,788	34,974,316
Other financial liabilities	40	42,100,514	38,592,034
Provisions	35	6,598,668	4,667,555
Trade payables	36	587,452	255,706
Advances received and other liabilities	37	1,691,324	24,419
Preference shares	38	264,827	264,827
Grants		410,812	353,309
Deferred tax liabilities	28	2,287,509	1,200,547
Total non-current liabilities		**164,553,894**	**80,332,713**
Current liabilities			
Loans and borrowings	34	11,513,757	26,007,475
Other financial liabilities	40	2,490,612	-
Provisions	35	19,000,687	285,906
Trade payables	36	32,101,356	16,454,593
Advances received and other payables	37	14,750,464	16,292,961
Accrued liabilities	39	4,550,772	3,621,286
Grants		155,672	23,498
Total current liabilities		**84,563,320**	**62,685,719**
Total liabilities		**249,117,214**	**143,018,432**
Total equity and liabilities		**528,536,921**	**387,252,696**

The accompanying notes on pages 9-75 form an integral part of these consolidated financial statements.

	2010 '000 KZT	2009 '000 KZT
OPERATING ACTIVITIES		
Receipts from customers	229,883,816	185,367,109
Payments to suppliers	(170,670,945)	(118,803,126)
Payments to employees	(24,269,628)	(20,302,940)
Cash flows from operations	**34,943,243**	**46,261,043**
Income tax paid	(9,987,639)	(13,388,287)
Interest paid	(4,107,418)	(2,877,385)
Cash flows from operating activities	**20,848,186**	**29,995,371**
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	35,122	94,504
Proceed from disposal of other non-current assets	386	771
Proceeds from disposal of investments(net of cash derecognized)	402,330	1,726
Redemption of term deposits	23,010,532	456,892
Interest received	1,518,315	3,085,087
Proceeds from repayment of loans issued	1,705,500	320,000
Withdrawal of assets under trust management	-	20,192,008
Other proceeds	50,465	23,656
Dividends received from associates and other investments	5,690,305	-
Proceeds from grants	206,171	-
Loans to related parties	(12,972,500)	(320,000)
Placement of term deposits	(78,280,457)	(23,349,468)
Acquisition of property, plant and equipment	(9,519,889)	(8,758,945)
Advances paid for property, plant and equipment	(1,026,711)	(67,296)
Acquisition of intangible assets	(373,511)	(56,958)
Acquisition of exploration and evaluation assets	(1,714,696)	(417,143)
Acquisition of mine development assets	(6,586,288)	(4,993,674)
Loans issued to other parties	-	(39,552)
Acquisition of investments in associates	(1,607,708)	(2,777,892)
Other payments	(23,247)	(132,875)
Cash flows used in investing activities	**(79,485,881)**	**(16,739,159)**
FINANCING ACTIVITIES		
Proceeds from issuance of bonds	72,389,917	-
Proceeds from contribution to capital by non-controlling interest	2,076,970	-
Proceeds from borrowings	17,144,271	30,195,058
Repayment of borrowing	(28,412,297)	(51,155,904)
Transaction cost	(398,528)	-
Payment of finance lease liabilities	(88,759)	(116,951)
Purchase of assets held for the benefit of the ultimate controlling party	(3,121,321)	-
Dividends paid	(8,425,392)	(1,260)
Cash flows from/(used in) financing activities	**51,164,861**	**(21,079,057)**
Net decrease in cash and cash equivalents	**(7,472,834)**	**(7,822,845)**
Cash and cash equivalents at the beginning of the year (Note 31)	30,082,948	34,160,628
Effect of exchange rate fluctuations on cash and cash equivalents	(226,006)	3,745,165
Cash and cash equivalents at end of year (Note 31)	**22,384,108**	**30,082,948**

The accompanying notes on pages 9-75 form an integral part of these consolidated financial statements.

'000 KZT	Share capital	Foreign currency translation reserve	Retained earnings	Additional paid-in capital	Total equity attributable to the Owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2009	**36,692,362**	**(1,614,661)**	**153,742,508**	**5,573,807**	**194,394,016**	**8,372,715**	**202,766,731**
Profit for the year	-	-	40,683,975	-	40,683,975	775,758	41,459,733
Foreign currency translation gain	-	297,874	-	-	297,874	-	297,874
Total comprehensive income for the year	-	297,874	40,683,975	-	40,981,849	775,758	41,757,607
Dividends declared	-	-	(7,737)	-	(7,737)	-	(7,737)
Change in non-controlling interest	-	-	-	-	-	(38,854)	(38,854)
Change in equity of associates	-	-	-	(243,483)	(243,483)	-	(243,483)
Balance at 31 December 2009	**36,692,362**	**(1,316,787)**	**194,418,746**	**5,330,324**	**235,124,645**	**9,109,619**	**244,234,264**
Profit for the year	-	-	59,014,067	-	59,014,067	924,533	59,938,600
Foreign currency translation gain	-	172,288	-	-	172,288	-	172,288
Total comprehensive income for the year	-	172,288	59,014,067	-	59,186,355	924,533	60,110,888
Dividends declared	-	-	(8,364,906)	-	(8,364,906)	-	(8,364,906)
Other distributions (Note 25)	-	-	(18,892,550)	-	(18,892,550)	-	(18,892,550)
Change in of non-controlling interest	-	-	-	(360,400)	(360,400)	2,855,800	2,495,400
Change in equity of associates	-	-	-	(163,389)	(163,389)	-	(163,389)
Balance at 31 December 2010	**36,692,362**	**(1,144,499)**	**226,175,357**	**4,806,535**	**266,529,755**	**12,889,952**	**279,419,707**

The accompanying notes on pages 9-75 form an integral part of these consolidated financial statements.

1. BACKGROUND

(a) Organizational structure and operations

National Atomic Company Kazatomprom JSC ("the Company") and its subsidiaries and jointly controlled entities (together referred to as "the Group") comprise Kazakhstan joint stock and limited liability companies as defined in the Civil Code of the Republic of Kazakhstan. The Company was established pursuant to the Decree of the President of the Republic of Kazakhstan on the establishment of National Atomic Company Kazatomprom No. 3593, dated 14 July 1997 and to the Decree of the Government of the Republic of Kazakhstan No. 1148 dated 22 July 1997.

In accordance with the Order of the President of the Republic of Kazakhstan No. 669 dated 13 October 2008, on 19 January 2009 the Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Fund of National Prosperity Samruk-Kazyna is wholly owned by the Government of the Republic of Kazakhstan (the "Ultimate controlling party").

The Company's registered office is 168, Bogenbay Batyr Street, Almaty, Republic of Kazakhstan.

The Group's principal activities are exploration, mining, processing and export of uranium, beryllium and tantalum: the generation, transmission and sale of electric power; the generation, distribution and sale of thermal energy; the production and sale of distilled, industrial, drinking and sea water; the drilling and processing services; the research and development services and providing social services to the Group's enterprises. The Group's products are sold in Kazakhstan as well as exported outside of Kazakhstan.

As of 31 December 2010 the Group had 18,645 employees (2009: 18,093 employees).

(b) Operating environment

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

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that negatively affected Kazakhstani financial and capital markets in 2008 and 2009 has receded and Kazakhstan's economy returned to growth in 2010. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2010 and 2009 was 5% and 7%, respectively).

Because Kazakhstan produces and exports large volumes of mineral resources, the country's economy is particularly sensitive to the price of mineral resources on the world market that fluctuated significantly during 2010 and 2009.

The Group's business is largely dependent on demand for uranium and the global price of this commodity which is priced in US Dollars. During the turmoil, the Group's business has remained stable due to the strong global commodity prices for uranium, constant increase of production volumes and existence of long-term sales contracts.

The Group continues to be exposed to the risk that the impacts of the global financial turmoil may have a direct and indirect impact on its business in the future. Specifically, the Group's cost of borrowings could increase if further borrowings were needed by the Group. The cost of such borrowings may increase due to the fact that there is less overall liquidity in the market. In addition, the Group may be impacted if the price of uranium decreases as a result of decreased global demand. Further economic turmoil could prevent or postpone purchases of uranium from the Group and a delay in the building of new power plants by our customers would decrease the future demand for uranium. The Groups' management believes that existence of long-term sales contracts balances production and sales of main types of products substantially decrease risks of the Group in case of low uranium demand and continuation of the financial crisis.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business and political environment on the Group's performance and financial position. The actual business environment may differ from the management's assessment.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

(b) Going concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business within the foreseeable future.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for certain financial instruments and certain property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRS as at 1 January 2005.

(d) Presentation currency

The national currency of Kazakhstan is the Kazakhstan Tenge ("KZT").

The tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in foreign currencies are recorded at the market rate ruling at the date of the transaction using market rates, fixed by the Kazakhstan Stock Exchange ("KASE"). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using the cross-rates to the US Dollar ("USD" or "US$") in accordance with the quotations received from "REUTERS".

The accompanying consolidated financial statements are presented in KZT and all financial information has been rounded to the nearest thousand.

(e) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the managers are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on the Group's reported profit and loss and financial position.

(i) Income Taxes

The Group is subject to income taxes in the Republic of Kazakhstan. The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties and interest charges. These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. The Group recognizes liabilities for anticipated additional tax based its interpretations of the current tax laws and the amount it believes that is probable to be paid upon any inspection by the tax authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determinations are made.

2. BASIS OF PREPARATION, CONTINUED

(e) Critical accounting judgments and key sources of estimation uncertainty, continued

Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Various factors are considered in assessing the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. As a result of changes in estimates, the Group has recognized income tax benefits in the years presented for assets created, but not recognized, in prior years.

(ii) Ore reserves

Ore reserves a critical component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of ore reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves (GKZ) to interpret geological and exploration data and determine indicated resources (proven reserves) and an estimate of indicated resources (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of the reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on a cost effective basis. Ore reserves are analyzed and assessed on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy.

(iii) Depreciation of mining assets

The Group's mining assets are depreciated over the respective life of the mine using the unit-of-production (UOP) method based on the ore reserves. Any changes to the ore reserves will have a direct impact on the depreciation rates and asset carrying values. Any change in the depreciation rate is applied on a prospective basis, which could result in higher depreciation in future periods.

(iv) Impairment of assets

The Group assesses its tangible fixed assets and definite lived intangible assets at the end of each reporting period to determine whether any indicators of impairment exist. If there are any such indicators, the recoverable amount of the assets is calculated and compared to the carrying amount. The excess of the carrying amount over the recoverable amount is recognized as an impairment.

The recoverable amount is calculated as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The calculation of value in use requires the Group to make estimates regarding the Group's future cash flows. The estimation of future cash flows involves significant estimates and assumptions regarding the commodity prices, level of sales, profitability, uranium prices and discount rates. Due to its subjective nature, these estimates could differ from future actual results of operations and cash flows; any such difference may result in impairment in future periods and would decrease the carrying value of the respective asset.

(v) Environmental protection and reclamation of mine sites

The Group is subject to a number of environment laws and provision, and based on these established a provision for the cost of site restoration. The Group estimates the site restoration costs based on the management's understanding of the current legal and contractual requirements. The provision is based on management's estimate of the total cost of restoration discounted to its net present value and recorded as an expense over the estimate life of the mine. The estimate of total costs requires management to make a number of assumptions including the level of effort and the discount rate. A change in these assumptions, or a change in the environmental laws, could result in a change in the provision in a future period. Any such change will be recorded at the time of the revision, and the amount of expense each period will be modified on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the consolidated financial statements are described in Note 3(a) to 3 (v).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Non controlling interest in subsidiaries

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the Group

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them);
- recognises any investment retained in the former subsidiary at its fair value at the date when control is lost;
- recognises any resulting difference as a gain or loss in profit or loss attributable to the parent.

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities using the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent of unimpaired value of such asset.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(b) Foreign currency transactions and translation

Transactions in foreign currencies are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. With the exception of foreign currency differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income, all such translation differences are recognized in profit or loss.

(c) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(i) Cash and cash equivalents

Cash and cash equivalents comprise petty cash, bank accounts and demand deposits.

(ii) Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss for the year, which are initially measured at fair value.
Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(iii) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(iv) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Financial instruments, continued

(iv) Financial assets at FVTPL, continued

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the consolidated statement of comprehensive income. The net gain or loss recognized in the consolidated statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 4.

(v) Available for sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as being AFS and are stated at fair value that can be reliably measured. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets. The fair value of these investments cannot be reliably measured and therefore the instruments that are settled by delivery of such unquoted equity instruments are measured at cost. Fair value is determined in the manner described in Note 4.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated statement of comprehensive income for the year. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is reclassified to profit or loss for the year.

Dividends on AFS equity instruments are recognized in the consolidated statement of comprehensive income when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognized in the consolidated statement of comprehensive income are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(vi) Loans and receivables

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

(vii) Derecognition of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(c) Financial instruments, continued

(viii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ix) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

(x) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(xi) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(xii) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 4.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in the consolidated statement of comprehensive income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(xiii) Embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value. Attributable transaction costs are recognized in the consolidated statement of comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in the consolidated statement of comprehensive income.

(d) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Share capital, continued

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognized as distributions (payments to shareholders) within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income.

(iii) Dividends

Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorized for issue.

(iv) Distributions

Shall the shareholder of the Group make a decision to the Group to acquire an asset, such acquisition should be considered as a benefit to the shareholder. The cost of such acquisition should be reflected in the consolidated statement of changes in equity as distribution.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 January 2005, the date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are recognized net in "other income/expense" in the consolidated statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation of property, plant and equipment used in extraction of uranium and its preliminary processing is charged on a unit-of production method basis in respect of items for which this basis best reflects the pattern of consumption. Land is not depreciated.
The following types of assets are depreciated using the unit-of-production method based on extractable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings and constructions;
- machinery and field equipment.

Depreciation of other property, plant and equipment is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(iii) Depreciation, continued

The estimated useful lives for the current and comparative periods are as follows:

- buildings 10 - 45 years
- plant and equipment 2 - 5 years
- vehicles 2 - 10 years
- other 3 - 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Mine development assets

The Group uses the method of calculation established by State Commission of Republic of Kazakhstan on mineral resources (GKZ). This methodology has been consistently applied during all periods.

Mine development assets comprise the capitalized costs of pump-in and pump-out well drilling, main external binding of the well with surface communications and measurement instrumentation equipping. Mine development assets are measured at cost less accumulated depreciation and accumulated impairment losses. Mine development assets are charged to the cost of production using the units-of-production method based on estimates of proved and probable reserves commencing when uranium first starts to be extracted. The estimate of proved and probable reserves is based on reserve reports which are part of each subsoil use agreement. These reserve reports are incorporated into feasibility models which are approved by the Government of the Republic of Kazakhstan (the "Government") and detail the total proven reserves and estimated scheduled extraction by year.

Mine development assets are either transferred from exploration and evaluation assets upon demonstration of commercial viability of extracting uranium or capitalizable costs incurred subsequent to being transferred to mine development assets. Mine development assets include the costs of drilling production uranium mines, estimated site restoration costs, the cost of plant for the extraction and preliminary processing of uranium, and overheads associated with such costs.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

(g) Mineral rights

Mineral rights are measured at cost less accumulated amortization and accumulated impairment losses.

Mineral rights are amortized using the units-of-production method based upon proved and probable reserves commencing when uranium first starts to be extracted.

The capitalized cost of acquisition of mineral rights comprise the subscription bonus, commercial discovery bonus, the cost of subsurface use rights and capitalized historical costs.

The Group is obligated to reimburse historical costs incurred by the Government in respect of licensing areas prior to licenses being issued. These historical costs are recognized as part of the acquisition cost with a corresponding liability equal to the present value of payments made during the license period.

The estimate of proven reserves is based on reserve reports which are part of each subsoil use contract. These reserve reports are incorporated into feasibility models which are approved by the Government and detail the total proven reserves and estimated scheduled extraction by year.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of comprehensive income when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(h) Intangible assets, continued

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of comprehensive income when incurred.

(iv) Amortization of intangible assets

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- License and patents 4 to 7 years;
- Software 3 to 6 years;
- Other 2 to 7 years.

(i) Exploration and evaluation assets

The Group follows the cost model.
Exploration and evaluation assets comprise the capitalized costs incurred after the Group has obtained the legal rights to explore a specific area and prior to proving that viable production is possible and include geological and geophysical costs, the costs of drilling of pits and directly attributable overheads associated with exploration activities.
Activities prior to the acquisition of the natural resource rights are pre-exploration. All pre-exploration costs are expensed as incurred and include such costs as design work on operations, technical and economical assessment of a project, and overheads associated with the pre-exploration activities.

A decision on termination of a sub-surface contract upon expiry of the exploration and evaluation period is subject to success of the exploration and evaluation of mineral resources and the Group's decision whether or not to progress to the production (development) stage.

Exploration and evaluation assets are classified as tangible or intangible based on their nature.

Exploration and evaluation assets are transferred to mine development assets upon demonstration of commercial viability of extracting uranium.

Exploration and evaluation assets are assessed for impairment, and any impairment loss recognized, before reclassification.

In addition, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

All general overhead costs not related directly to exploration and evaluation activities are expensed as incurred.

(j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Group's statement of financial position.

Payments under operating lease agreements are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases comprise two elements, i.e. finance expense and discharge of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average costing principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured based on actual cost.

(m) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in the consolidated statement of comprehensive income.

When an impairment loss in respect of an AFS financial asset is determined using objective evidence, the cumulative loss that had been recognized in other comprehensive income is reclassified from equity to the statement of comprehensive income for the year as a reclassification adjustment even though the financial asset is not derecognized. The impairment is calculated by reference to its current fair value.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and AFS financial assets that are debt securities, the reversal is recognized in the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) Employee benefits

(i) Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits relating to compensation for disablement, occupational diseases and loss of breadwinner, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Estimated compensation is calculated based on current legislation. The discount rate is the risk-free interest rate on government bonds.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Retirement benefit costs

The Group's entities contribute to the state pension funds on behalf of all its current employees in accordance with the Law of the Republic of Kazakhstan "On pension provisioning in the Republic of Kazakhstan" effective from 1 January 1998.

All employees have the right to receive guaranteed pension benefits in proportion to their accumulated working time record and if they had a working time record as at 1 January 1998. They also have the right to receive pension payments from accumulating pension funds from individual pension accumulating accounts provided by the 10% compulsory pension contributions from their salary but not exceeding KZT 112,140 per month in 2010 (2009: KZT 101,025 per month for the first year half and not exceeding KZT 102,878 per month for the second year half). The plan is a defined contribution plan.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(iv) Site restoration

Activities of the Group are subject to compliance with a number of environmental laws and provisions. The Group estimates site restoration provisions based on the management's understanding of current legal requirements and terms of license agreements. The provision is determined by estimating future cash flows to be incurred for disturbance caused at balance date and these cash flows are discounted to their present value. Actual costs to be incurred may significantly differ from the provisional amount. Future amendments to environmental legislation, field license terms, and discount rates may affect the carrying value of the provision. When such costs are identified, the additional provision would be prospectively calculated as new information, laws and estimates become known.

(q) Guarantees

Where the Group enters into contracts to guarantee the indebtedness of other companies within the Group and other related entities, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

(r) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(r) Revenue, continued

(i) Goods sold, continued

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of uranium, tantalum and beryllium products, transfer usually occurs, in accordance with the INCOTERMS classification, at the Delivered at Frontier (DAF), Delivered Duty Unpaid (DDU), Free-On-Board (FOB) and Cost, Insurance and Freight (CIF).

Revenue from sale of public utilities (energy and water further public utilities) is measured at the fair value of the consideration received or receivable, net of allowances. The revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and the amount of revenue can be measured reliably, which is upon delivery of public utilities to the customer.

Evidence of the quantity of public utilities delivered is determined on the basis of meter data. Meter data is monitored on a monthly basis by the Group's sales department.

(ii) Services

Revenue from services rendered is recognized in the consolidated statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from processing and transportation services is recognized only upon their completion.

(s) Other income and expenses

(i) Grants

Grants are recognized initially as deferred income (recorded as deferred grants on the statement of financial position) when they are received and the Group has reasonable assurance it will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are offset against the asset on a systematic basis over the useful life of the asset.

(ii) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large, and where such contributions are not set by the subsoil use contracts and are not restricted to the Group's employees, they are recognized in the consolidated statement of comprehensive income as incurred.

(t) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains. Interest income is recognized as it accrues in the consolidated statement of comprehensive income, when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably, using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income is recognized in the consolidated statement of comprehensive income on the date that the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial liabilities at fair value through profit or loss and impairment losses recognized on financial assets.

Borrowing costs comprise exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All borrowing costs are recognized in the statement of comprehensive income using the effective interest method, except for borrowing costs related to qualifying assets which are recognized as part of the cost of such assets.

Foreign currency gains and losses are reported on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(u) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity, accordingly.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used in the computation of taxable profit or which arises from the initial recognition of goodwill. Deferred tax is not recognized for temporary differences in connection with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In Kazakhstan, the corporate income tax regime requires the advance payments of estimated income tax based on the prior year's actual corporate income taxes. The tax return is filed 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(v) New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Standards affecting the financial statements

IFRS 3(2008) *Business Combinations;* IAS 27(2008) *Consolidated and Separate Financial Statements;* IAS 28(2008) *Investments in Associates*	These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate. IFRS 3(2008) has also introduced additional disclosure requirements for acquisitions.

The following amendments were made as part of *Improvements to IFRSs (2009).*

Amendment to IFRS 2 *Share-based Payment*	IFRS 2 has been amended, following the issue of IFRS 3(2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2.
Amendment to IAS 17 *Leases*	IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17. The amendment has been applied retrospectively in accordance with the relevant transitions.

3. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(v) New and revised IFRSs applied with no material effect on the consolidated financial statements, continued

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*	IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard. The amendment has been applied prospectively to all unexpired contracts on or after 1 January 2010 in accordance with the relevant transitional provisions.

New and revised IFRSs applied with no material effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference betwe en the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled.
IFRS 2 (amended) *Group Cash-settled Share-based Payment Transactions*	The amendment clarifies the accounting for share-based payment transactions between group entities.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective :

Standards not affecting the reported results nor the financial position

IFRS 9	*Financial Instruments*
IAS 24 (amended)	*Related Party Disclosures*
IAS 32 (amended)	*Classification of Rights Issues*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
IFRIC 14 (amended)	*Prepayments of a Minimum Funding Requirement*
Improvements to IFRSs (May 2010)	

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of Financial Instruments.

The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investments in equity and debt securities

The best evidence of fair value of equity instruments is quoted prices in an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

4. DETERMINATION OF FAIR VALUES, CONTINUED

(a) Investments in equity and debt securities, continued

The chosen valuation technique makes maximum use of market inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

(b) Trade and other receivables and payables

The fair value of non-current trade and other receivables and payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The current trade and other receivables are carried at cost less impairment.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. SEGMENT INFORMATION

Adoption of IFRS 8 "Operating Segments"

Group's information contained in reports that are regularly reviewed by the chief executive and which are used to make decisions about the allocation of financial resources and to assess segment performance, has six reportable segments namely:

Uranium oxide production	-	The production of uranium ore, processing and sale of uranium oxide.
Other uranium products	-	The processing and sale of other uranium products.
Beryllium	-	The manufacture and sale of beryllium products as well as research and development activities.
Tantalum	-	The manufacture and sale of tantalum products as well as research and development activities.
Utilities	-	The generation and sale of electricity, heating and purification of water.
Other	-	The generation and sale of other products and rendering of services for the main production.

Information regarding the Group's reportable segments is presented below.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit is the factor that management uses to manage its business and represents gross profit earned by each segment. This is the measure reported to the chief executive for the purpose of resource allocation and assessment of segment performance.

5. SEGMENT INFORMATION, CONTINUED

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2010:

	Uranium oxide	Other uranium products	Beryllium	Tantalum	Utilities	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	164,579,087	6,985,786	5,300,798	4,676,462	26,526,968	22,869,769	-	230,938,870
Inter-segment sales	-	-	-	-	-	15,441,998	(15,441,998)	-
Total revenue	164,579,087	6,985,786	5,300,798	4,676,462	26,526,968	38,311,767	(15,441,998)	230,938,870
Segment profit	51,239,159	3,824,604	791,813	712,796	2,048,415	8,145,822	(2,782,147)	63,980,462
Distribution expense								(2,325,968)
Administrative expense								(13,264,911)
Financial income								5,733,346
Financial expense								(9,926,646)
Share of results of associates and jointly controlled entities								37,155,562
Other income								813,294
Other expense								(8,496,867)
Profit before income tax								73,668,272

5. SEGMENT INFORMATION, CONTINUED

(a) Segment revenues and results, continued

The following is an analysis of the Group's revenue and results by reportable segment in 2009:

	Uranium oxide	Other uranium products	Beryllium	Tantalum	Utilities	Other	Eliminations	Consolidated
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Revenue								
External sales	113,305,789	3,337,567	2,951,628	4,811,288	24,717,000	29,383,546	-	178,506,818
Inter-segment sales	-	2,283,195	-	-	-	14,202,980	(16,486,175)	-
Total revenue	113,305,789	5,620,762	2,951,628	4,811,288	24,717,000	43,586,526	(16,486,175)	178,506,818
Segment profit	53,017,642	3,221,450	665,785	853,299	3,043,927	9,051,799	(4,056,623)	65,797,279
Distribution expense								(1,824,124)
Administrative expense								(8,984,719)
Financial income								3,111,251
Financial expense								(17,487,997)
Share of results of associates and jointly controlled entities								16,849,096
Other income								865,510
Other expense								4,254,120)
Profit before income tax								54,072,176

5. SEGMENT INFORMATION, CONTINUED

(a) Segment revenues and results, continued

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than investments in associates and jointly controlled entities, financial assets and tax assets; and
- all liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities, and other liabilities.

(b) Segment assets

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Uranium oxide	219,561,369	177,354,452
Other uranium products	29,349,325	26,731,511
Beryllium	6,076,231	5,524,667
Tantalum	5,469,869	7,080,654
Utilities	21,778,077	20,147,353
Other	19,496,195	18,046,070
Eliminations	(31,884,362)	(37,189,229)
Total segment assets	269,846,704	217,695,478
Unallocated assets	258,690,217	169,557,218
Consolidated assets	**528,536,921**	**387,252,696**

(c) Segment liabilities

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Uranium oxide	94,976,354	102,418,002
Other uranium products	3,046,439	1,077,898
Beryllium	630,708	222,772
Tantalum	567,768	285,514
Utilities	6,612,860	6,035,793
Other	1,588,374	1,731,497
Eliminations	15,540,112	(31,718,885)
Total segment liabilities	122,962,615	80,052,591
Unallocated liabilities	126,154,599	62,965,841
Consolidated liabilities	**249,117,214**	**143,018,432**

5. SEGMENTS INFORMATION, CONTINUED

(d) Geographical information

External revenue based on the country of domicile of the customer is as follows:

	Revenue from external customers	
	2010 '000 KZT	2009 '000 KZT
Kazakhstan	48,608,536	50,385,786
China	96,855,090	67,905,075
Japan	33,360,465	19,538,652
USA	20,449,435	18,296,373
South Korea	7,988,764	8,734,249
Russia	5,473,297	3,045,570
France	4,267,060	4,348,183
Germany	2,211,115	706,828
Argentina	1,999,183	3,050,750
Austria	1,006,679	1,302,867
Belgium	1,395,377	1,161,849
India	4,711,194	-
Switzerland	2,486,112	-
Other	126,563	30,636
	230,938,870	**178,506,818**

The Group's segment assets (non-current assets excluding investments in associates and jointly controlled entities, financial assets and tax assets) are located in Kazakhstan.

(e) Other segment information

Depreciation and amortization of mine development assets, exploration and evaluation assets, and property, plant and equipment, and amortization of mineral rights and intangible assets accrued for the period is detailed below:

	Depreciation and amortization	
	2010 '000 KZT	2009 '000 KZT
Uranium oxide	8,462,170	6,184,352
Other uranium products	841,491	788,096
Beryllium	174,215	162,878
Tantalum	156,830	208,751
Utilities	1,979,293	1,801,224
Other	878,953	948,151
	12,492,952	**10,093,452**

The portion of the above reported depreciation and amortization recognized as part of cost of sales is detailed below:

	Depreciation and amortization	
	2010 '000 KZT	2009 '000 KZT
Uranium oxide	9,248,461	5,013,318
Other uranium products	512,595	448,811
Beryllium	106,123	92,757
Tantalum	95,533	118,881
Utilities	1,116,076	1,009,916
Other	708,588	751,438
Elimination	(1,881,032)	(1,158,046)
	9,906,344	**6,277,075**

5. SEGMENT INFORMATION, CONTINUED

(e) Other segment information, continued

	Additions to non-current assets	
	2010	2009
	'000 KZT	'000 KZT
Uranium oxide	18,450,401	17,249,627
Other uranium products	1,931,662	2,554,200
Beryllium	399,915	527,883
Tantalum	360,006	676,558
Utilities	3,157,383	2,507,395
Other	2,368,889	1,513,414
	26,668,256	**25,029,077**

In addition to the depreciation and amortisation reported above, impairment losses of KZT 876,533 thousand (2009: KZT 223,436 thousand) were recognised in respect of property, plant and equipment, mine development assets, intangible assets, mineral rights, and exploration and evaluation assets. These impairment losses were attributable to the following reportable segments:

	Impairment	
	2010	2009
	'000 KZT	'000 KZT
Uranium oxide	-	45,624
Other uranium products	580,902	61
Beryllium	120,265	13
Tantalum	108,263	16
Other	67,103	177,722
	876,533	**223,436**

6. DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS

These consolidated financial statements include financial statements of the following subsidiaries:

	Country of incorporation	31.12.2010 Ownership/Voting	31.12.2009 Ownership/Voting
MAEK-Kazatomprom LLC	Kazakhstan	100%	100%
GRK LLC	Kazakhstan	100%	100%
Kazatomprom - Demeu LLC	Kazakhstan	90%	90%
Bailanys NAC LLC	Kazakhstan	100%	100%
Taikonyr JSC	Kazakhstan	100%	100%
Korgan KAP LLC	Kazakhstan	100%	100%
Appak LLC	Kazakhstan	65%	65%
Semizbai-U LLC	Kazakhstan	51%	51%
Ulba Metallurgical Plant JSC	Kazakhstan	90%	90%
Volkovgeology JSC	Kazakhstan	90%	90%
Institute of High Technologies LLC	Kazakhstan	100%	100%
Kyzyltu LLP	Kazakhstan	76%	-
SARECO	Kazakhstan	51%	-
Energomash LLP	Kazakhstan	100%	-

6. DISPOSALS OF INVESTMENTS AND NON CONTROLLING INTERESTS, CONTINUED

Increase of interest in Kyzyltu LLP

At 31 December 2009, the Group's share in Kyzyltu Limited Liability Partnership (Kyzyltu LLP) was 50%. On 31 March 2010, the shareholders agreed to increase the charter capital of Kyzyltu LLP by KZT 866,688 thousand, which led to an increase in the Group's share in Kyzyltu LLP to 76%. Thus, in 2010 the method of accounting for Kyzyltu LLP was changed from the equity method to the full consolidation method.

Kyzyltu LLP is not material to the Group. Similarly, the acquisition of the additional interest in Kyzyltu was not material to the Group.

Increase of interest in SARECO

On 24 March 2010, the Company and Sumitomo Corporation signed a charter document on establishment of JV "Summit Atom Rare Earth Company" (SARECO). SARECO was formed to operate in the rare and rare-earth metals industry. The Company and Sumitomo Corporation hold a 51% and 49% ownership in SARECO, respectively. The purpose of SARECO is the establishment of vertically integrated company producing high value added rare earth products. SARECO is involved in construction and commercial ore enrichment operations, the hydrometallurgical production of rare metal concentrates, chemical production as rare metals decay into individual metal oxides. SARECO exports the goods it produces.

LLP "Ekoenergomash"

In March 2010 the Group created subsidiary with 100% ownership - LLP "Ekoenergomash", and invested KZT 250,000 thousand to its charter capital. The main type of operations of LLP "Ekoenergomash" is production of vertically-axial wind-driven stations and complex energy systems of atomic facility supply on base of renewable energy sources.

Appak LLP

On April 2010 all partners provided additional charter capital to Appak LLP of KZT 5.3 billion, in total. The contributions of the partners were proportionate to their ownership interest, and consequently no change in ownership interest arose as a consequence of this contribution.

Kazatomprom - Demeu LLC

On 28 January 2010, the Company made an additional contribution in share capital of Kazatomprom – Demeu LLC of KZT 3,604,000 thousand. The contribution did not result in change in ownership interest.

According to the Charter of the Kazatomprom – Demeu LLC number of votes to which each Participant has the right in decision-making at the General Meeting of the Participants shall be defined irrespective of the Participant's interest in the share capital of Kazatomprom-Demeu LLC and shall be as follows: Group – 90%, Effective Energy N. V. Company - 10% of votes.

7. REVENUE

	2010 '000 KZT	2009 '000 KZT
Revenue from sales of uranium product	171,564,873	116,643,356
Revenue from sales of utilities	26,284,167	24,717,000
Revenue from drilling of wells	9,673,497	8,718,343
Revenue from sales of beryllium products	5,300,798	2,951,628
Revenue from sales of tantalum products	4,676,462	4,811,288
Revenue from processing services provided	4,593,001	6,415,459
Revenue from transportation services	2,961,941	3,033,515
Revenue from sales of purchased goods	2,368,343	9,604,652
Revenue from research and development	316,598	210,532
Other	3,199,190	1,401,045
	230,938,870	**178,506,818**

8. COST OF SALES

	2010 '000 KZT	2009 '000 KZT
Materials and supplies	103,245,715	72,677,910
Processing and other services	19,845,049	7,952,290
Wages and salaries	15,366,100	10,846,994
Depreciation and amortization	10,060,514	6,277,075
Taxes other than on income	8,827,503	5,217,999
Maintenance and repair	5,010,243	4,567,376
Utilities	2,002,180	1,630,933
Transportation expenses	412,677	337,654
Rent expenses	647,364	493,705
Research and development	139,779	75,472
Other	1,401,284	2,632,131
	166,958,408	**112,709,539**

9. DISTRIBUTION EXPENSES

	2010 '000 KZT	2009 '000 KZT
Shipping, transportation and storing	1,006,542	642,279
Wages and salaries	409,569	363,239
Commissions	268,628	238,286
Materials and suppliers	196,782	174,240
Rent	80,413	62,105
Cargo insurance	50,349	43,697
Custom duties	48,497	36,062
Advertising and marketing expenses	47,339	42,025
Taxes other than on income tax	39,338	34,685
Travel	28,919	22,867
Depreciation and amortization	24,117	54,749
Other	125,475	109,890
	2,325,968	**1,824,124**

10. ADMINISTRATIVE EXPENSES

	2010 '000 KZT	2009 '000 KZT
Wages and salaries	7,425,520	6,614,293
Taxes other than income tax	1,657,931	1,003,186
Depreciation	524,566	491,494
Consulting, auditing and information services	480,364	408,605
Research expenses	361,677	244,475
Maintenance and repair	328,544	387,287
Travel	317,050	224,760
Rent	274,946	306,936
Training expenses	267,043	219,850
Materials and suppliers	254,435	241,123
Bonus pay accrual/(reversal)	216,447	(2,125,965)
Bank charges	141,637	165,348
Communication	109,258	110,721
Stationary	88,330	78,780
Utilities	83,128	77,745
Corporate events	73,255	96,706
Entertainment expenses	65,563	55,132
Insurance	40,049	24,926
Security	34,621	27,152
Other	520,547	332,165
	13,264,911	**8,984,719**

11. FINANCIAL INCOME AND EXPENSE

Financial income	2010 '000 KZT	2009 '000 KZT
Dividend income	3,551,893	-
Interest income on term deposits and deposits on demand, and current accounts	1,750,887	2,830,326
Other financial income	3,934	22,182
Interest income on investment portfolio	-	258,743
Total	**5,306,714**	**3,111,251**

Financial expense	2010 '000 KZT	2009 '000 KZT
Interest expense on loans and borrowings	4,794,115	2,868,721
Unwinding of discount on other financial liabilities	4,388,107	3,783,706
Unwinding of discount on provisions	353,171	330,218
Loss on sales of foreign currency	57,577	149,214
Preference share dividend expense	53,610	52,965
Bank expenses	-	276,208
Commission on investment portfolio management	-	4,291
Other financial expense	280,066	368,969
Total	**9,926,646**	**7,834,292**
Net financial expense recognized in the consolidated statement of comprehensive income	**4,619,932**	**4,723,041**

12. OTHER INCOME

	2010 '000 KZT	2009 '000 KZT
Gain on sale of investment property	418,650	192,991
Interest on trade receivables	103,126	400,854
Write-off of liabilities	11,196	3,003
Other	280,322	268,662
Total	**813,294**	**865,510**

13. OTHER EXPENSES

	2010 '000 KZT	2009 '000 KZT
Sponsorship and charity	2,619,205	1,234,125
Unrecoverable value added tax ("VAT")	2,438,747	301,483
Social sphere expenses	1,215,648	1,421,856
Loss on disposal and impairment of non-current assets	739,007	247,791
Transfer pricing provision	467,569	95,346
Loss on suspension of production	244,254	414,611
Other	772,437	538,908
	8,496,867	**4,254,120**

14. PERSONNEL COSTS

	2010 '000 KZT	2009 '000 KZT
Wages and salaries	30,497,519	25,441,152
Social tax and social payments	2,763,156	2,309,530
	33,260,675	**27,750,682**

15. INCOME TAX EXPENSE

	2010 '000 KZT	2009 '000 KZT
Current tax expense		
Current year	12,456,258	10,606,342
Under provided in prior years	325,561	152,118
	12,781,819	**10,758,460**
Deferred tax expense		
Origination and reversal of temporary differences	947,853	1,853,983
	13,729,672	**12,612,443**

The entities based in Kazakhstan are subject to income tax on taxable profit as determined under the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2010 and 2009. In November 2009, an amendment to the corporate income tax rate reducing schedule was enacted to reduce the corporate income tax rate to 17.5% effective from 1 January, 2013 and 15% effective from 1 January 2014. However, during 2010 changes occurred and the rate was fixed at 20% from 1 January 2011 and for subsequent years. The settlement of the rate at a level higher than anticipated in the prior year has negatively impacted the current period valuation of the Group's deferred tax assets and resulted in additional tax expense during the year.

(a) Reconciliation of effective tax rate:

	2010 '000 KZT	%	2009 '000 KZT	%
Profit before income tax	**73,668,271**	**100**	**54,072,176**	**100**
Income tax at applicable tax rate	14,733,656	20.00	10,814,435	20.00
Tax effect of:				
Change in tax rate	659,711	0.9	(238,192)	(0.44)
Non-taxable income	(710,379)	(0.96)	(697,167)	(1.29)
Non-deductible expenses	960,778	1.3	4,270,837	7.90
Transfer pricing adjustment	4,930,963	6.69	1,955,949	3.62
Elimination of margin in finished goods	(363,467)	(0.49)	(780,446)	(1.44)
Share of results of associates	(5,474,570)	(8.82)	(2,700,641)	(4.99)
Share of results of jointly controlled entities	(1,956,542)	(1.87)	(669,178)	(1.24)
Utilization of tax losses not recognized in prior periods	(19,495)	0.03	(302,737)	(0.56)
Current year losses for which no deferred tax assets is recognized	643,456	0.87	807,465	1.49
Under provided in prior years	325,561	0.44	152,118	0.28
	13,729,672	**18.21**	**12,612,443**	**23.33**

The transfer pricing law was amended and enacted on 1 January 2009. The revised law primarily applies to cross-border transactions involving sales of goods and services. In addition, the transfer pricing law applies to sales and acquisitions of goods and services on the local market, if it was determined that these transactions were not conducted at arms length.

As at 31 December 2010, the Group has made adjustments to comply with the transfer pricing law. However, tax authorities have not yet conducted audit of compliance by the Group with transfer pricing legislation.

16. EARNINGS PER SHARE

Basic and diluted earnings per share:

	2010 '000 KZT	2009 '000 KZT
Basic and diluted earnings per share	1,608	1,109

The Group has no issued dilutive potential ordinary shares.

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows.

	2010 '000 KZT	2009 '000 KZT
Profit for the year attributable to owners of the Group	59,014,067	40,683,975
Earnings used in the calculation of the total basic and diluted earnings per share	**59,014,067**	**40,683,975**

	2010 '000 KZT	2009 '000 KZT
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	36,692,361	36,692,361

17. PROPERTY, PLANT AND EQUIPMENT

'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
Cost							
At 1 January 2009	113,089	35,274,920	32,235,139	4,981.118	2,091,919	13,946,441	88,642,626
Additions	3,317	93,119	1,672,860	895,783	274,029	10,854,813	13,793,921
Transfers	-	13,232,276	4,027,987	10,910	324,747	(17,595,920)	-
Disposals	(22,455)	(1,812,566)	(139,519)	(96,122)	(31,301)	(905,947)	(3,007,910)
Foreign currency translation difference	-	-	177	-	2,912	-	3,089
At 31 December 2009	93,951	46,787,749	37,796,644	5,791,689	2,662,306	6,299,387	99,431,726
At 1 January 2010	93,951	46,787,749	37,796,644	5,791,689	2,662,306	6,299,387	99,431,726
Additions	22,309	1,317,366	4,207,359	1,484,884	289,258	8,107,495	15,428,671
Transfers	1,790	3,376,132	2,258,724	20,773	77,454	(5,734,873)	-
Disposals	(1,902)	(130,830)	(550,850)	(46,298)	(66,206)	(239,952)	(1,036,038)
Foreign currency translation difference	-	-	32	-	433	-	465
At 31 December 2010	116,148	51,350,417	43,711,909	7,251,048	2,963,245	8,432,057	113,824,824

17. Property, plant and equipment, continued

'000 KZT	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
Accumulated depreciation and impairment losses							
At 1 January 2009	-	3,527,525	8,341,713	1,185,811	480,906	370,282	13,906,237
Depreciation charge	-	2,227,590	3,272,276	639,334	267,485	-	6,406,685
Disposals	-	(99,959)	(131,220)	(38,767)	(13,896)	-	(283,842)
Impairment loss	-	88	223	(552)	(1)	194,654	194,412
Foreign currency translation difference	-	-	188	-	724	-	912
At 31 December 2009	-	5,655,244	11,483,180	1,785,826	735,218	564,936	20,224,404
At 1 January 2010	-	5,655,244	11,483,180	1,785,826	735,218	564,936	20,224,404
Depreciation charge	-	2,286,637	4,113,669	832,372	358,435	-	7,591,113
Disposals	-	(109,224)	(499,930)	(28,887)	(43,893)	-	(681,934)
Additions	-	4,838	1,758	3,043	582	-	10,221
Impairment loss	-	165,407	61,106	(157)	38,946	611,231	876,533
Foreign currency translation difference	-	-	39	-	242	-	281
At 31 December 2010	-	8,002,902	15,159,822	2,592,197	1,089,530	1,176,167	28,020,618
Net Book Value							
As at 31 December 2009	93,951	41,132,505	26,313,464	4,005,863	1,927,088	5,734,451	79,207,322
As at 31 December 2010	116,148	43,347,515	28,552,087	4,658,851	1,873,715	7,255,890	85,804,206

The Group recorded impairment of property, plant and equipment in the amount KZT 876,533 thousand, comprised of social purpose property that does not generate positive cash flows: Matrosov's student's camp in the amount of KZT 500,925 thousand, central cultural palace in the amount of KZT 265,302 thousand; and production property in the amount of KZT 110,306 thousand, further construction of which is not cost-effective at present times.

In 2010 KZT 254,151 thousand out of the total amount of impairment was allocated to cost of sales and KZT 622,382 thousand to other expenses, whereas in 2009 total impairment in the amount KZT 194,654 thousand was recorded in other expenses.

17. PROPERTY, PLANT AND EQUIPMENT, CONTINUED

(a) Depreciation expense has been charged in cost of sales in the amount of KZT 7,042,430 thousand (2009: KZT 5,860,442 thousand); in distribution expenses in the amount of KZT 24,117 thousand (2009: KZT 54,749 thousand); and in administrative expenses in the amount of KZT 524,566 thousand (2009: KZT 491,494 thousand).

(b) Borrowing costs

Borrowing costs capitalized in reporting periods were as follows:

	2010 '000 KZT	2009 '000 KZT
Capitalized borrowing costs	1,285	27,723

The weighted-average capitalization rate was 6% in 2010 (2009: 6%).

(c) Construction in progress

Construction in progress comprises construction of new assets and capital improvements of the existing property, plant and equipment that extend the life of the assets or assets being constructed and not brought into use.

(d) Rented equipment

The Group acquires assets under finance lease arrangements. At the end of each lease period, ownership of the assets is transferred to the Group. The Group makes monthly payments based on the terms of the agreements. As at 31 December 2010 the book value of such assets was KZT 101,603 thousand (2009: KZT 279,088 thousand).

(e) Collateral

Property, plant and equipment with a carrying amount of KZT 4,252,577 thousand (2009: KZT 4,583,434 thousand) has been pledged to secure bank loans (Note 34).

(f) Fully depreciated property plant and equipment

As at 31 December 2010, the gross carrying value of fully depreciated property, plant and equipment still in use was KZT 2,015,779 thousand (2009: KZT 886,082 thousand).

(g) Idle property, plant and equipment

As at 31 December 2010, the carrying value of temporary idle property, plant and equipment was KZT 46,785 thousand (2009: KZT 21,751 thousand).

(h) Commitments

As at 31 December 2010, commitments relating for acquisition of property, plant and equipment were KZT 312 thousand (2009: KZT 121,380 thousand).

18. MINE DEVELOPMENT ASSETS

'000 KZT	Field preparation	Side restoration asset	Ion-exchange resin	Total
Cost				
Balance at 1 January 2009	18,822,652	560,591	1,964,809	21,348,052
Additions	7,137,372	1,402,014	477,809	9,017,195
Transfer to mining rights	(385)	-	-	(385)
Transfer to exploration and evaluation assets	(1,582,753)	(26,966)	(77,319)	(1,687,038)
Balance at 31 December 2009	24,376,886	1,935,639	2,365,299	28,677,824
Balance at 1 January 2010	24,376,886	1,935,639	2,365,299	28,677,824
Additions	7,472,056	473,274	495,905	8,441,235
Change in estimate	-	1,408,248	-	1,408,248
Balance at 31 December 2010	**31,848,942**	**3,817,161**	**2,861,204**	**38,527,307**
Accumulated depreciation and impairment loss				
Balance at 1 January 2009	7,666,827	62,132	313,972	8,042,931
Depreciation charge	3,071,093	18,088	119,190	3,208,371
Impairment	15,475	153	-	15,628
Transfer to exploration and evaluation assets	(42,341)	-	(2,137)	(44,478)
Balance at 31 December 2009	10,711,054	80,373	431,025	11,222,452
Depreciation charge	3,844,885	97,021	180,791	4,122,697
Balance at 31 December 2010	**14,555,939**	**177,394**	**611,816**	**15,345,149**
Net Book Value				
At 31 December 2009	13,665,832	1,855,266	1,934,274	17,455,372
At 31 December 2010	**17,293,003**	**3,639,767**	**2,249,388**	**23,182,158**

Change in estimate occurs primarily as a consequence of revisions to budgets, forecasts and changes in discount rates.

19. MINERAL RIGHTS

'000 KZT	Total
Cost	
Balance at 1 January 2009	2,850,136
Additions	55,232
Change in estimate(Note 35(a))	(1,767,919)
Transfer from mine development assets	385
Transfer from exploration and evaluation assets	(159,713)
Balance at 31 December 2009	978,121
Additions	922,132
Balance at 31 December 2010	**1,900,253**
Amortization and impairment losses	
Balance at 1 January 2009	199,951
Depreciation charge	38,761
Impairment loss	426
Change in estimate	(156,781)
Balance at 31 December 2009	82,357
Depreciation charge	50,852
Balance at 31 December 2010	133,209
Net book value	
Balance at 31 December 2009	895,764
Balance at 31 December 2010	**1,767,044**

Subsoil use agreements for uranium mines held by the Group require it to make contributions to social development and education programs. In prior periods, the Group recorded a provision for the discounted present value of amounts set forth in the subsoil use agreements and a corresponding asset within mineral rights, which was amortized over the term of the subsoil use agreements. In 2009, it became apparent that amounts demanded by local authorities for these social development programs were significantly in excess of the amount prescribed in the subsoil use agreement. Furthermore, it was anticipated that the amount for each subsequent year would need to be agreed annually with the relevant authority. Accordingly, the Group concluded that it was no longer possible to make a reliable estimate of the cumulative future amounts due under each subsoil agreement. Consequently, they reversed the accumulated provision as at 1 January 2009 and reversed the asset included in mineral rights. Commencing 1 January 2009, the costs of social development and education programs are expensed as incurred.

In connection with the order of the Ministry of Industry and New Technologies of the Republic of Kazakhstan, the right on subsoil use on the Central Mynkuduk field was revoked from LLP "Ken Dala KZ" to the Company. Accordingly, in 2010 the Company sustained additional contractual obligations for mine development in addition to other liabilities and expenses occurring under existing subsoil use contracts of the Company.

20. EXPLORATION AND EVALUATION ASSETS

'000 KZT	Tangible assets	Intangible assets	Total
Cost			
Balance at 1 January 2009	438,336	497	438,833
Additions	2,028,240	-	2,028,240
Transfer from mine development assets	1,642,560	-	1,642,560
Transfer from mining rights	-	159,713	159,713
Depreciation of exploration works charge to cost of sales	(319,260)	(16,357)	(335,617)
Change in estimate	-	(55,621)	(55,621)
Impairment	(12,970)	-	(12,970)
Balance at 31 December 2009	**3,776,906**	**88,232**	**3,865,138**
Balance at 1 January 2010	**3,776,906**	**88,232**	**3,865,138**
Additions	2,491,892	98,859	2,590,751
Depreciation of exploration works charge to cost of sales	(642,193)	(5,874)	(648,067)
Change in estimate	(22,591)	-	(22,591)
Balance at 31 December 2010	**5,604,014**	**181,217**	**5,785,231**

21. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

		31.12.2010		31.12.2009	
	Country	Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
JV Betpak Dala LLP	Kazakhstan	30%	14,208,036	30%	10,227,910
JV KATKO LLP	Kazakhstan	49%	29,556,133	49%	14,206,000
Uranenergo LLP	Kazakhstan	36.71%	4,953,799	36.55%	4,091,954
JV "SKZ Kazatomprom" LLP	Kazakhstan	24.5%	702,277	24.5%	727,828
JV Inkai LLP	Kazakhstan	40%	6,683,397	40%	2,038,539
JV Zarechnoe JSC	Kazakhstan	49.67%	886,272	49.67%	-
JV Rosburmash LLP	Kazakhstan	49%	188,238	49%	111,663
JV Akbastau JSC	Kazakhstan	-	-	50%	430,715
Kazakhstan Nuclear Institution LLP	Kazakhstan	40%	14,601	40%	7,980
Demeu-Clothes LLP	Kazakhstan	49%	3,855	49%	3,369
Kyzylkum LLP	Kazakhstan	30%	-	30%	-
NPK Ulba LLP	Kazakhstan	33%	3,527	33%	3,273
SKZ - U LLP	Kazakhstan	49%	3,659,578	49%	3,724,495
JV IFASTAR	France	49%	34,885	49%	161,773
PKF Ulba Energo	Kazakhstan	30%	25,337	30%	10,454
			60,919,935		**35,745,953**

21. INVESTMENTS IN ASSOCIATES, CONTINUED

JV Akbastau JSC

As of 31 December 2009 there were three shareholders in JV Akbastau JSC, including the Group with a 50% ownership interest. Because of its significant influence, the Group classified its investment in JV Akbastau JSC as an associate, using the equity method of accounting. During 2010, one of the shareholders sold its shares in JV Akbastau JSC to the other, leaving only two shareholders with equal ownership interests, including the Group. Following this, the Group reclassified its investment in JV Akbastau JSC to investments in jointly-controlled entities. The method of accounting remains unchanged.

As at 31 December 2010 the Group did not recognize its share of the accumulated losses of associated companies which exceeded the cost of investment, as summarized below, because it had no obligation to fund these losses:

Accumulated losses:	2010 '000 KZT	2009 '000 KZT
At the beginning of the year	2,118,949	130,158
Movement in:		
Kyzylkum LLP	90,526	1,966,076
JV Zarechnoe JSC	-	22,715
At the end of the year	2,209,475	2,118,949

The following is summarized financial information, in aggregate, in respect of associates:

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Total assets	277,405,206	255,812,913
Total liabilities	135,164,998	172,331,726
Net assets	142,240,208	83,481,187
Group's share of net assets of associates	60,919,935	35,745,953
	2010 '000 KZT	**2010 '000 KZT**
Total revenue	169,116,317	106,978,455
Total profit for the year	64,239,567	26,415,400
Group's share of profit of associates	27,372,850	13,503,206

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

The Group has the following investments in jointly controlled entities:

		31.12.2010		31.12.2009	
	Country	Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Karatau LLP	Kazakhstan	50%	8,557,990	50%	5,105,915
JV Akbastau LLP (Note 21)	Kazakhstan	50%	3,006,172	-	-
CJSC COU	Kazakhstan	50%	634,640	50%	639,351
JSC Yingtan Ulba Shine Metal Materials Co., Ltd	Kazakhstan	50%	422,736	50%	360,480
ULBA Conversion LLP	Kazakhstan	50%	27,963	50%	27,027
JV UKR TVS CJSC	Ukrain	33.33%	3,845	33.33%	7,947
Chemieanlagenbau Chemnitz	Germany	50%	2,266	-	-
Kazakhstan-Russian Company JSC Atomic Stations	Kazakhstan	50%	-	50%	-
Geotechnologia KKRUMC	Kyrgyzstan	50%	1,840	50%	1,884
Kyzyltu LLP	Kazakhstan	-	-	50%	352,868
			12,657,452		6,495,472

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES, CONTINUED

As at 31 December 2010 the Group did not recognize its share of the accumulated losses of jointly controlled Group JSC Atomic Power Stations Kazakhstan-Russian Group which exceed the cost of investment amounting to KZT 35,054 thousand (in 2009: KZT 53,599 thousand).

The following is summarized financial information, in aggregate, in respect of jointly-controlled entities:

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Total assets	55,226,216	24,485,376
Total liabilities	29,958,494	11,512,083
Net assets	25,267,722	12,973,293
Group share in net assets of jointly controlled entities	12,657,452	6,495,472

	2010 '000 KZT	2009 '000 KZT
Total revenue	42,260,756	18,972,707
Total profit for the year	19,520,703	6,657,874
Group share in profit of jointly controlled entities	9,782,712	3,345,890

23. OTHER INVESTMENTS

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
AFS investments:		
Toshiba Nuclear Energy Investments US Inc. – cost	48,892,455	48,892,455
Toshiba Nuclear Energy Investments UK Limited – cost	17,112,425	17,112,425
Other investments available for sale – cost	40,768	40,791
	66,045,648	**66,045,671**

Purchase of shares issued by Toshiba Nuclear Energy Holdings (US) Inc. and Toshiba Nuclear Energy Holdings (UK) Ltd.

Under a purchase agreement in late 2007 the Group purchased 400 Class A ordinary shares of Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") for USD 400,000 thousand from Toshiba Nuclear Energy Investments US Inc.. In addition, the Group purchased 140 Class A ordinary shares of Toshiba Nuclear Energy Holdings UK, Ltd ("TNEH-UK") for USD 140,000 thousand from and Toshiba Nuclear Energy Investments UK Ltd. Through the purchase of 400 Class A ordinary shares of TNEH-US and 140 Class A ordinary shares of TNEH-UK the Group acquired a 10% interest in these entities. TNEH-US and TNEH-UK, own 100% interest in Westinghouse Group (referred to as "Westinghouse").

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a put option agreement (the "Put Option"). The Put Option provides the Group with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of USD 540,000 thousand for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of USD 522,180 thousand if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant (a Group subsidiary). If the certification is not provided, the Group may exercise the Put Option during the period between 31 March 2010 and 28 February 2013. The Put Option was not exercised at 31 December 2010.

In connection and simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the Group entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the Group the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States (CFIUS) a US government entity decides that the Group is no longer a strategic partner. In such case, the fair value of the Group's shares will be determined by an independent international appraiser. The Call Option was not exercised at 31 December 2010.

The Group has classified this investment as available for sale as this best reflects the intention of the Group with regard to its ability and intention to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in a private company for which fair value cannot be reliably measured.

24. TRADE RECEIVABLES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Trade accounts receivable	49,568,442	28,635,328
Trade accounts receivable from related parties (Note 43)	7,061,456	4,139,947
	56,629,898	32,775,275
Provision for doubtful debts	(563,432)	(549,644)
	56,066,466	**32,225,631**

Note 41 discloses information on the Group's exposure to credit and currency risks and the impairment loss on trade accounts receivable.

25. ASSET HELD FOR THE BENEFIT OF THE ULTIMATE CONTROLLING PARTY

In May 2010, following a meeting with the Prime Minister of the Republic of Kazakhstan, the Company was directed to construct social project - Student's Palace in Astana city (hereinafter referred to as "the Property").

As at 31 December 2010, the Company had signed contracts for the design and construction of the Property with an estimated total cost of KZT 20,215,028 thousand at the Company's expense. The Company is planning to construct the Property during 2011 and transfer it to a body which is to be determined by the ultimate controlling party.

During 2010, the Company incurred costs of construction of the Property of KZT 306,804 thousand and prepaid advances for further construction of KZT 3,121,321 thousand. These costs are recognized as current assets held for the benefit of the ultimate controlling party in the consolidated statement of financial position since it is expected that these assets will be transferred to a body which is to be determined by the ultimate controlling party by 31 December 2011.

The obligation of the Company for the construction of the Property is an onerous obligation of the Company and in accordance with IAS 37, resulted in immediate recognition of provision through the statement of changes in equity as distribution (use) of retained earnings. (Notes 33 (e) and 35 (c))

26. ADVANCES PAID AND OTHER RECEIVABLES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Non-current		
Advances paid for long-term assets	2,434,941	1,238,013
Non-current VAT receivable	750,561	-
Loans to employees	457,433	491,027
Other	203,548	40,308
	3,846,483	**1,769,348**
Current		
VAT receivable	21,211,430	13,598,672
Advances paid for goods and services	4,942,937	7,375,140
Prepaid expenses	556,536	43,926
Insurance prepayment	134,488	112,619
Prepaid taxed other than income	128,005	101,090
Receivable from subsoil users	12,881	397,085
Other	1,148,387	612,071
	28,134,664	**22,240,603**

27. INVENTORIES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Current		
Finished goods and goods for resale	35,503,588	34,038,251
Work-in-process	11,814,558	11,058,524
Raw materials	4,863,724	4,234,302
Spare parts	959,748	757,720
Fuel	737,816	666,662
Materials in process	477,162	519,687
Other materials	1,666,703	1,136,964
	56,023,299	**52,412,110**
Provision for obsolete inventories	(263,686)	(308,756)
Current	**55,759,613**	**52,103,354**
Non-current	**6,550,761**	**7,077,867**
	62,310,374	**59,181,221**

Non-current inventories include stocks of enriched uranium which have been held by the Group since inception and are intended for use upon commissioning of new uranium pellets production workshops. The key factors used by the Group's management for estimating the net realizable value of the inventories are the content of contaminations and natural uranium in the enriched uranium, and also the costs of further processing works.

Collateral

Inventory in the amount of KZT 1,159,572 thousand (2009: KZT 1,159,572 thousand) has been pledged as collateral for loans and borrowings (Note 34).

28. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

	Assets		Liabilities		Net amount	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Property, plant and equipment	398,554	324,501	(3,490,517)	(1,951,383)	(3,091,963)	(1,626,882)
Intangible assets	21,111	14,473	(7,525)	(698)	13,586	13,775
Investment property	-	-	(7,199)	(10,504)	(7,199)	(10,504)
Mineral rights	220,094	47,015	(371,790)	(43,354)	(151,696)	3,661
Exploration and evaluation assets	325,271	5,805	(386,798)	(114,889)	(61,527)	(109,084)
Site restoration	593,662	13,899	(713,758)	(286,065)	(120,096)	(272,166)
Advances paid and other accounts receivables	32,811	35,542	(29,180)	-	3,631	35,542
Inventories	808,722	756,254	(680,431)	(14,006)	128,291	742,248
Trade receivables	3,810,296	810,792	(2,940,954)	(541,048)	869,342	269,744
Grants	116,155	60,721	(5,260)	-	110,895	60,721
Taxes	473,085	326,027	-	-	473,085	326,027
Accrued liabilities	305,379	238,478	(141)	(123)	305,238	238,355
Mine development assets	-	-	(20,868)	(20,868)	(20,868)	(20,868)
Provisions	1,025,779	764,295	(5,830)	(1,049)	1,019,949	763,246
Trade and other payables	1,272	16,906	-	-	1,272	16,906
Loans and borrowings	-	-	(90,090)	(69,939)	(90,090)	(69,939)
Tax loss carried forward	6,513	12,498	-	-	6,513	12,498
Other	84,428	67,008	(21,971)	(1,609)	62,457	65,399
Total	**8,223,132**	**3,494,214**	**(8,772,312)**	**(3,055,535)**	**(549,180)**	**438,679**
Offset of deferred tax assets and liabilities	(6,484,803)	(1,854,988)	6,484,804	1,854,988	-	-
Total	**1,738,329**	**1,639,226**	**(2,287,509)**	**(1,200,547)**	**(549,180)**	**438,679**

28. DEFERRED TAX ASSETS AND LIABILITIES, CONTINUED

(b) Movement in temporary differences

	01.01.2010	Recognized in income	Recognized in equity	31.12.2010
Property, plant and equipment	(1,626,882)	(1,465,081)	-	(3,091,963)
Site restoration	(272,166)	152,070	-	(120,096)
Inventories	742,248	(613,957)	-	128,291
Accrued liabilities	238,355	66,883	-	305,238
Provisions	763,246	256,311	392	1,019,949
Other	593,878	655,921	(40,398)	1,209,401
	438,679	**(947,853)**	**(40,006)**	**(549,180)**

'000 KZT	01.01.2009	Recognized in income	Recognized in equity	31.12.2009
Property, plant and equipment	(1,071,898)	(554,984)	-	(1,626,882)
Site restoration	(89,008)	(183,158)	-	(272,166)
Inventories	1,984,445	(1,242,197)	-	742,248
Accrued liabilities	661,513	(423,158)	-	238,355
Provisions	783,584	(20,338)	-	763,246
Other	24,555	569,323	-	593,878
	2,293,191	**(1,854,512)**	**-**	**438,679**

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized regarding the following items:

Tax effect	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Tax losses carried forward	1,690,878	1,397,640
	1,690,878	**1,397,640**

The unrecognized tax losses arise from subsidiaries that are loss making where it is not probable that future profits will be sufficient to utilize these tax losses. They expire as follows:

	'000 KZT
2010-2012	-
2013-2016	590,175
2017-2019	807,465
2020	293,238
	1,690,878

29. TERM DEPOSITS

	Currency	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Non-current			
JSC Bank CenterCredit	USD	1,807,751	766,942
JSC DB RBS Kazakhstan	Tenge	102,557	3,383
JSC BTA Bank	Tenge	9,655	96,675
JSC Halyk Bank of Kazakhstan	Tenge	6,659	-
JSC Alliance Bank	Tenge	-	110
JSC Alliance Bank	USD	-	148
JSC Halyk Bank of Kazakhstan	USD	-	807
JSC Eurasian Bank	Tenge	-	172,089
		1,926,622	**1,040,154**

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2010 the amount of restricted cash held in such deposits was KZT 1,919,967 thousand (2009: KZT 1,026,587 thousand).

	Currency	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Current deposits			
JSC BTA Bank	Tenge	188,133	241
JSC Kazkommerzbank	USD	13,376,919	-
JSC Citi Bank	Tenge	420	420
JSC DB Sberbank	Tenge	1,400,000	2,055,200
JSC Bank CenterCredit	Tenge	50,000	154,123
JSC Bank CenterCredit	USD	22,160,641	8,044,399
JSC Halyk Bank of Kazakhstan	Tenge	5,040,000	-
JSC Halyk Bank of Kazakhstan	USD	22,173,629	3,735,324
JSC Nurbank	Tenge	17,841	-
JSC Nurbank	USD	-	1,514,706
JSC HSBC	USD	7,412,471	-
JSC Bank Astana Finance	Tenge	1,000,000	-
JSC ATF Bank (Almaty)	USD	3,574,360	7,238,322
JSC Alliance Bank	Tenge	370,100	-
JSC Alliance Bank	USD	368,647	-
		77,133,161	**22,742,735**

Interest rates on term deposits held by the Group as at 31 December 2010 varies from 0.01% to 11% per annum (2009: from 0.01% to 12.3%).

Note 41 discloses information on the Group's exposure to interest rate risk and provides sensitivity analysis of financial assets and liabilities.

30. LOANS TO RELATED PARTIES

During 2010 the Group provided short-term loans to JV KRKAS and JV Akbastau JSC with maturity in 2011 and interest rates of 9% and 11%, respectively. The loan to JV Akbastau JSC was collateralized by legal claim on future cash inflows. The total amount of loans as at 31 December 2010 was KZT 512,000 thousand.

In September and December 2010, for the purpose of providing financial aid, the Group issued long-term loans to LLP "Kyzylkum" and LLP "Baiken-U" for the period of 9 and 7 years, respectively and with an interest rate of 8,5%. The total amount of loans given as at 31 December 2010 was KZT 10,751,444 thousand. The loans were collateralized by property of the borrowers.

31. CASH AND CASH EQUIVALENTS

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Bank accounts	15,859,764	25,412,410
Demand deposits	6,480,975	4,608,518
Petty cash	43,369	62,020
	22,384,108	**30,082,948**

32. RESTRICTED CASH

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Current restricted cash	-	1,662,066
Non – current restricted cash	1,668,391	-

Following a governmental investigation into one of the Group's suppliers, the Company has acted as a depository at the Government of Kazakhstan's request for the cash balances of a supplier who has been arrested. This is reflected as restricted cash in the consolidated statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations. The management of the Group considered that the amount will be utilized in the long-term and reclassified it to non-current cash. The cash balance has been increased by the amount of foreign currency translation difference.

Note 41 disclose information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities.

33. EQUITY

(a) Share capital

	Common Shares 2010	Common Shares 2009
Par value	1,000 tenge	1,000 tenge
Number of authorized and issued shares	36,692,361	36,692,361
	36,692,361	**36,692,361**

All shares of the Company are owned by the Fund National Prosperity Samruk-Kazyna which ultimately decides on dividend distribution.

33. EQUITY, CONTINUED

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the amount of distributable reserves is limited to the amount of cumulative retained earnings as reflected in the Group's IFRS consolidated financial statements. At 31 December 2010 the Group had cumulative retained earnings, including the profit for the current year, of KZT 226,175,357 thousand (2009: KZT 194,418,746 thousand).

(c) Additional paid-in capital

Historically shares have been issued at par value and consequently no additional paid in capital arises from issuance of shares.

Additional paid-in capital comprises amounts of discount of zero or low interest loans due provided to our associates by other owners and the Group's share of changes in equity, other than profits or losses of associates and gain received on disposal of subsidiary in excess of its nominal value.

(d) Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, are recognized directly in the foreign currency translation reserve. This reserve also includes the effect of translation of the Group books into the presentation currency before change in functional currency.

(e) Distributions

(i) Construction of a property for the benefit of the ultimate controlling party

As described in Note 25, above, the Group entered into a constructive commitment with its ultimate controlling party to construct the Property that, upon completion, will be transferred to the ultimate controlling party for no consideration. As there is a constructive commitment to transfer the Property to the ultimate controlling party for no consideration, the transfer has been recognised as a distribution in the consolidated statement of changes in equity. The value of that distribution was estimated by management using the discounted cash flows based on the value of the construction contract, namely KZT 18,892,550 thousand.

34. LOANS AND BORROWINGS

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Non current liabilities		
Secured bank loans	33,366,186	30,555,118
Non secured non bank loans	4,598,035	4,313,036
Finance lease obligations	34,336	85,912
Unsecured notes	-	20,250
Bonds	72,614,231	-
	110,612,788	**34,974,316**
Current liabilities		
Secured bank loans	9,645,566	25,465,276
Secured non-bank loans	1,286,535	476,623
Finance lease obligations	41,648	65,576
Unsecured notes	18,306	-
Bond interest payable	521,702	-
	11,513,757	**26,007,475**

34. LOANS AND BORROWINGS, CONTINUED

Finance lease obligations are subject to payment in the following order:

'000 KZT	Minimum lease payments	31.12.2010 Less future finance charges	Present value of minimum lease payments
Not later than one year	45,461	(3,813)	41,648
Later than one year and not later than five year	36,291	(1,955)	34,336
	81,752	**(5,768)**	**75,984**

'000 KZT	Minimum lease payments	31.12.2009 Less future finance charges	Present value of minimum lease payments
Not later than one year	76,687	(11,111)	65,576
Later than one year and not later than five years	92,243	(6,331)	85,912
	168,930	**(17,442)**	**151,488**

(a) Bonds

On 20 May 2010 the Company issued USD500,000,000 aggregate principal amount of unsecured 6.25% bonds due 2015 (the "Bonds"). The issue price of the Bonds was 98.947%. Interest on the Bonds is accrued from the date of issuance at a rate of 6.25% (effective rate 6.55%) per annum of the outstanding principal amount and is payable semi-annually in arrears on 20 November and 20 May of each year, commencing on 20 November 2010. The Bonds are registered in accordance with the rules of Reg S/144A, without interest coupons attached, in denominations of USD 100,000 or integral multiples of USD 1,000 in excess thereof.

(b) Bond Covenants

(i) Negative Pledge

The Group shall not, and shall not permit any material subsidiary to create, incur, assume or suffer to exist any liens, other than permitted liens, on any of its or their assets, now owned or hereafter acquired, or any income or profits therefrom, securing any indebtedness, unless, at the same time or prior thereto, the Bonds are secured equally and rateably with such other indebtedness.

(ii) Limitation on Payments of Dividends

The Group is precluded from paying any dividends, in cash or otherwise, or making any other distribution of any sort in respect of its share capital at any time when there exists an event of default or at any time when no such event of default or event exists, in an aggregate amount exceeding 50 per cent of the Group's consolidated net income for the period in respect of which the dividend or other distribution is being paid.

(iii) Limitation on Sales of Assets and Subsidiary Stock

The Group is precluded from consummating any asset disposition involving aggregate consideration equal to or greater than USD 10 million (or its equivalent) (as at 31 December 2010 KZT 1,474,000 thousand) unless the Group or such material subsidiary receives consideration at the time of such asset disposition at least equal to the fair market value of the shares and assets subject to such asset disposition; and solely with respect to an asset disposition of shares of capital stock of a material subsidiary, after giving effect to any such asset disposition, the Group should continue to "beneficially own", directly or indirectly, at least the restricted percentage of the shares of capital stock of such material subsidiary.

The management of the Group believes that it complies with the covenants as set out above as of 31 December 2010.

34. LOANS AND BORROWINGS, CONTINUED

'000 KZT	Currency	Year of maturity	31.12.2010	31.12.2009
Secured Bank Loans				
Industrial and Commercial Bank of China	USD	2013	8,860,352	4,451,100
Japan Bank of International Cooperation	USD	2014	6,170,776	6,210,669
ING bank Japan	Euro	2012	5,644,547	6,023,756
Mizuho Corporate Bank Ltd.	USD	2015	5,251,709	6,398,718
ABN AMRO Bank N.V.	USD	2013	4,442,483	5,962,163
Natixis Bank	USD	2013	4,335,659	-
Citibank, Tokyo	USD	2013	3,136,868	2,512,735
Japan Bank of International Cooperation	USD	2014	2,213,211	-
ABN AMRO Bank N.V.	USD	2013	1,037,970	1,462,557
Natixis Bank	USD	2014	684,045	-
JS «Positive bank»	Tenge	2011	456,638	-
JV «BTA Bank»	Tenge	2013	392,908	948,525
JV «Alfa Bank»	Tenge	2011	267,386	528,763
JV «Citi Bank»	Tenge	2011	117,200	64,677
Citibank International Plc, London as in agent	USD	2010	-	19,143,718
Natixis Bank	USD	2010	-	557,050
JV «Citi Bank»	USD	2010	-	1,566,682
JV «Alfa Bank»	Tenge	2010	-	164,270
JV «BTA Bank»	Tenge	2010	-	25,011
			43,011,752	**56,020,394**

In 2010 the Group's weighted-average interest rate on fixed interest rate loans was 6.84% (2009:7.68%) and 2.16% on floating interest rate loans (2009: 2.88%).

34. LOANS AND BORROWINGS, CONTINUED

'000 KZT	Currency	Year of maturity	31.12.2010	31.12.2009
Unsecured non bank loans				
Sumitomo Corporation	USD	2013	4,075,484	3,298,415
Kansai Electric Power Inc.	USD	2013	1,618,828	1,316,809
Kozhema Katko Demeu	Tenge	2024	190,258	174,435
			5,884,570	**4,789,659**
Finance Lease obligations				
JSC «Center Leasing»	Tenge	2012	30,439	54,072
JV LLP «Betpak Dala»	Tenge	2013	40,082	42,103
LLP«Virazh Leasing»	Tenge	2011	491	25,641
LLP «Temirleasing»	Tenge	2011	-	11,462
JS «Alliance Bank»	USD	2011	4,972	9,307
LLP JV «Akbastau»	Tenge	2013	-	8,903
			75,984	**151,488**
Bonds				
Bonds	USD	2015	73,135,933	-
Unsecured notes payable	Tenge	2011	18,306	**20,250**
			122,126,545	**60,981,791**

Loan covenants

The Group's various loan agreements include covenants with banks, pursuant to which the Group must comply in all respects with laws to which it is subjected, must not create or permit any security over any of its assets or dispose assets and must obtain the lenders' approval on acquisitions, mergers and disposals if any. It must also solely sell uranium to customers with non-military purposes residing in countries which have signed the Nuclear Non-Proliferation Treaty, and are members of International Atomic Energy Agency.

Additionally, the Group must maintain certain key financial indicators, based on the Group's consolidated financial information, such as debt to equity, debt to earnings before interest, taxes, depreciation and amortization, earnings before interest and taxes to net interest expense and cash on saving's account to debt costs ratios at specified levels.

The management of the Group believes that it complies with the covenants as set out above as of 31 December 2010 and 2009.

Collateral

Bank loans are secured by the following assets:

- contracts on delivery of goods (uranium concentrate);
- real estate property with carrying value of KZT 4,252,577 thousand (2009: KZT 4,252,577 thousand) (Note 17); and
- inventories in the amount of KZT 1,159,572 thousand (2009:KZT 1,159,572 thousand) (Note 27).

More information on interest rate and currency risk is presented in Note 41.

35. PROVISIONS

'000 KZT	Provision for historical costs	Financing of social sphere	Education of employees	Provision for compensation for occupational diseases	Provision for environmental protection	Provision for reclamation of mine-sites	Provision for social object	Other	Total
Non-current	824,785	1,224,924	212,767	376,032	73,297	1,720,238	-	5,768	4,437,811
Current	183,133	184,778	22,719	59,386	-	-	-	-	450,016
Total	**1,007,918**	**1,409,702**	**235,486**	**435,418**	**73,297**	**1,720,238**	**-**	**5,768**	**4,887,827**
Provision created within year	55,232	-	-	45,011	-	1,423,830	-	9,118	1,533,191
Change in the accounting estimate	-	(1,409,702)	(235,486)	-	-	-	-	-	(1,645,188)
Unwinding of discount	108,335	-	-	14,833	16,166	190,231	-	653	330,218
Provision used within year	(158,630)	-	-	(58,588)	-	(148,759)	-	-	(365,977)
Foreign exchange	213,390	-	-	-	-	-	-	-	213,390
Balance at 31 December 2009	**1,226,245**	**-**	**-**	**436,674**	**89,463**	**3,185,540**	**-**	**15,539**	**4,953,461**
Allocated as:									
Non-current	1,001,274	-	-	375,739	89,463	3,185,540	-	15,539	4,667,555
Current	224,971	-	-	60,935	-	-	-	-	285,906
Total		**-**	**-**	**436,674**	**89,463**	**3,185,540**	**-**	**15,539**	**4,953,461**
Provision created within year	-	-	-	-	-	535,577	18,892,550	843	19,428,970
Change in the accounting estimate	-	-	-	(8,516)	791,807	1,387,012	-	(1,355)	2,168,948
Reclassification to financial liabilities	(1,226,245)	-	-	-	-	-	-	-	(1,226,245)
Unwinding of discount	-	-	-	17,696	6,924	327,848	-	703	353,171
Provision used within year	-	-	-	(57,416)	-	(21,464)	-	-	(78,880)
Foreign exchange	-	-	-	-	-	(70)	-	-	(70)
Balance at 31 December 2010	**-**	**-**	**-**	**388,438**	**888,194**	**5,414,443**	**18,892,550**	**15,730**	**25,599,355**
Allocated as:									
Non-current	-	-	-	329,409	888,194	5,365,335	-	15,730	6,598,668
Current	-	-	-	59,029	-	49,108	18,892,550	-	19,000,687
Total	**-**	**-**	**-**	**388,438**	**888,194**	**5,414,443**	**18,892,550**	**15,730**	**25,599,355**

Change in estimate occurs primarily as a consequence of revisions to budgets, forecasts and changes in discount rates

35. PROVISIONS, CONTINUED

(a) Financing of the social sphere and education of employees

Subsoil use agreements for uranium mines held by the Group require it to make contributions to social development and education programs. In prior periods the Group recorded a provision for the discounted present value of amounts set forth in the subsoil use agreements and a corresponding asset within mineral rights, which was amortized over the term of the subsoil use agreements. In 2009, it became apparent that amounts demanded by local authorities for these social development programs were significantly in excess of the amount prescribed in the subsoil use agreement. Furthermore, it is anticipated that the amount for each subsequent year will need to be agreed annually with the relevant authority. Accordingly, the Group concluded that it could no longer make a reliable estimate of the cumulative future amounts due under each subsoil agreement. Therefore, it reversed the accumulated provision as at 1 January 2009 and reversed the asset included in mineral rights. Commencing 1 January 2009 the costs of social development and education programs are expensed as incurred.

(b) Provision for compensation for occupational diseases

In accordance with Articles 939, 943 and 944 of the Civil Code of the Republic of Kazakhstan, the Group is required to pay compensation for occupational diseases and disability arising during the period of employment, or during retirement as a result of disease or disability occurring due to former work conditions.

In determining the amount of the provision, the Group's management based their estimates on the number of persons currently entitled to the compensation, the estimated duration of payments and the average annual payments to various categories of employees based on their relative salaries extrapolated for the estimated future rates of disease and disability during the expected lifetime of current and former employees. At 31 December 2010 the undiscounted amount of the estimate is KZT 603,390 thousand (2009: KZT 598,467 thousand).

This estimate has been recognized at a discounted value discount rate of 7% (2009: 8.4%) and using inflation rate of 5% (2009: 7%). This is a free nominal rate and the future cash outflows reflect risk specific to the liability.

(c) Provision for environmental protection

The Group, pursuant to the legislation of the Republic of Kazakhstan on environmental protection, is required to dispose of radioactive waste and to decommission and dispose of polluted property, plant and equipment. At 31 December 2010 the undiscounted value of the estimated costs to comply with this legislation is KZT 28,463,000 thousand (2009: KZT 1,526,210 thousand). A substantial part of environmental protection expenses pertains to years 2068-2071.

In computing this provision the Group used a discount rate of 7% discount rate (2009: 8.4%). This is a free nominal rate and the future cash outflows reflect risk specific to the liability.

When determining the amount of the environmental provision, the Group's management used assumptions and assessments based on the experience of decommissioning and clean up work of a similar nature carried out in 2000-2007. In developing their assumption for the computation of this provision, management has considered the input provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(d) Provision for reclamation of mine sites

Management estimates the site restoration costs for each field operated by the Group. As at 31 December 2010 the estimated cost of reclamation activities is KZT 8,067,926 (2009: 6,750,136) thousand and the present value of such cost has been estimated using a discount rate of 7% (2009: 8.4%). This is a free nominal rate and the future cash outflows reflect risk specific to the liability.

In view of the long-term nature of reclamation liabilities, there is uncertainty concerning the actual amount of expenses that will be incurred in performing site restoration activities for each field.

Management's estimates of the costs of closure, reclamation and decommissioning are based on reclamation standards that meet existing regulatory requirements, while environmental legislation in Kazakhstan continues

35. PROVISIONS, CONTINUED

to evolve. The provision is the discounted value of estimated costs to close, reclaim and decommission the mine sites at the end of the mine life. Elements of uncertainty in estimating these amounts include potential changes in regulatory requirements and decommissioning and reclamation alternatives.

In accordance with the terms of the subsurface use agreements the Group invests cash in long-term bank deposits to finance future site restoration activities. As at 31 December 2010 the amount of restricted cash held in such deposits was KZT 1,916,967 thousand (2009: KZT 1,026,587 thousand).

The following is a list of key assumptions which serve as the basis for the carrying value of provisions:

- there is a high probability that the Group will proceed to development and production stages for its fields which are currently under exploration. The Group has publicly announced its plans for increase in uranium mines as part of its long-term business plan. The business plan has been approved by the Government of the Republic of Kazakhstan. These facts set out a constructive obligation for the Group to recognize the site restoration provision under all mining and exploration licenses;
- the expected term for future cash outflows for the mine sites is based on the life of the mines. A substantial part of expenditures is expected to occur in 2011 - 2022, at the end of life of the mine;
- inflation rate - 5% per annum.

(e) Provision for social object

As described in Notes 25 and 33, above, the Group entered into a constructive commitment with its ultimate controlling party to construct the Property that, upon completion, will be transferred to the ultimate controlling party for no consideration. The discounted amount of the provision as at 31 December 2010 was calculated using a discount rate of 7%, which is a risk-free nominal rate; and the future cash flows reflect risks attributable to the obligation. The provision is considered to be due in the next 12 months due to the expectation that the commitment will be fulfilled within twelve months from the balance sheet date.

36. TRADE PAYABLES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Non-current		
Trade accounts payable	**587,452**	**255,706**
Current		
Accounts payable to related parties (Note 43)	24,752,290	7,934,809
Trade accounts payable	7,349,066	8,519,784
	32,101,356	**16,454,593**
	32,688,808	**16,710,299**

Trade payables mainly included the balance from purchased goods and services, and current expenses. The average credit term is 60 days.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 41.

37. ADVANCES RECEIVED AND OTHER PAYABLES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Non-current		
Other advances received (Note 32)	1,668,391	-
Other payables	22,933	24,419
	1,691,324	**24,419**
Current		
Deferred income	5,991,994	4,168,723
Taxes payable	4,026,517	4,486,235
Salaries payable	1,596,295	1,576,743
Advances received	1,066,216	3,551,056
Income tax payable	1,041,973	-
Social contributions payable	437,658	364,004
Dividends payable	66,343	57,155
Interest payable	2,608	52,203
Other current liabilities	-	1,662,066
Other accounts payable	520,860	374,776
	14,750,464	**16,292,961**
	16,441,788	**16,317,380**

(a) Deferred income

The Group enters into uranium swap agreements as required to meet its contractual commitments to customers. At 31 December 2010 the Group received title to, and sold to its customers, uranium products but had not satisfied its contractual commitments to deliver uranium on the same quantity to unrelated counterparty. The revenue from shipments to the Group's customers of KZT 5,991,994 thousand was recognized as deferred income at 31 December 2010 (2009: 4,168,723 thousand).

38. PREFERENCE SHARES

Non-participating cumulative preference shares are shares of JSC Ulba Metallurgical Plant (264,827 shares) and JSC Volkovgeology (75,857 shares), which have par value of 1,000 and KZT 170 per share, respectively.

The holders of JSC Ulba Metallurgical Plant are entitled to receive an annual dividend of KZT 52,965 thousand (20% of par value) and the holders of JSC Volkovgeology are entitled to receive an annual dividend of KZT 644 thousand (5% of par value) before dividends are declared to the ordinary shareholders. These dividends are accrued in accordance with Company charter agreement. Non-participating preference shares have no rights to share in any surplus assets and no voting rights. These preference shares are classified as liabilities because they contain a mandatory dividend payment.

39. ACCRUED LIABILITIES

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
Accrual for change in tariffs	2,292,782	2,292,782
Vacation pay accrual	1,159,614	1,021,062
Transfer pricing provision	459,300	-
Bonus accruals	361,936	171,402
Services accrual	263,437	125,578
Other	13,703	10,462
	4,550,772	**3,621,286**

The Agency for Regulation of Natural Monopolies (the "Agency") provides the utility tariffs to the Group. In 2008 the Group supplied electricity to customers at the tariffs rate supplied by the Agency; such rates were increased by the Agency in 2008. The Group filed an appeal to the court regarding tariff rates increase and the decision was made in favour of the Group.

The Agency appealed against the court decision and the Regional Court of Mangistau confirmed that the use of these tariff rates was illegal. The court decision was confirmed by the Supreme Court as a result of which the Group must return a certain part of its revenue from electricity sales received in 2008 to customers.

The provision of KZT 2,292,782 thousand was calculated as the difference between the tariff approved in 2007 and the actual tariff applied by the Group in 2008.

40. OTHER FINANCIAL LIABILITIES

(a) Minimum distributions of "Semizbay-U" LLC

In 2008, the Group entered into an Agreement (the "Agreement") to dispose of 49% of its interest in "Semizbay-U" LLC ("Semizbay") to Beijing Sino-Kaz Uranium Resources Investment Company Limited ("Sino-Kaz Company"). The Agreement entitles Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033 representing the repayment of the financial liability recorded in this transaction. The distribution is required to be a minimum payment. The payments of these distributions are guaranteed by JSC National Atomic Company Kazatomprom. The financial liability recognised by the Group relates to the minimum payment based on contractually agreed amounts. This represents a financial liability of the Group which has been measured at fair value.

	2010	2009
Beginning balance	38,592,034	28,273,845
Unwinding of discount	4,216,224	3,783,706
Foreign exchange (gains)/losses	(239,784)	6,534,483
Payment in excess of minimum amount	(90,017)	-
Current	**42,478,457**	**38,592,034**

The carrying value of financial liability changed by KZT 3,886,423 thousand in the year ended 31 December 2010 (2009: KZT 10,318,189 thousand); this change was recognized in the financial expense and foreign exchange (gains)/losses. The change in fair value was calculated by discounting the cash surrender value of the shares based on the rate of interest on borrowed capital of the Group, and the translation of that amount from U.S. dollars into tenge.

In addition, the terms of the Agreement commit Sino-Kaz Company to purchase all uranium produced by Semizbay which will be processed to uranium dioxide pellets and powder by Ulba Metallurgical Plant JSC (a subsidiary company in the Group), for use in Chinese atomic power plants. China Guandong Nuclear Power Corporation, the parent company of Sino-Kaz Company, has committed to certify the technologies used at Ulba Metallurgical Plant JSC for production of uranium dioxide pellets and powder for use on Chinese atomic power

40. OTHER FINANCIAL LIABILITIES, CONTINUED

plants, within two years from the date of the Agreement. During 2010 the Sino-Kaz Company certified the aforementioned technologies and shipments are scheduled to 2011.

The Group has also entered into call option agreement which provides it with the right to demand that "Sino-Kaz Company" sells its 49% interest in Semizbay to the Group if this certification is not provided. The call option can be exercised at a price equal to the consideration paid by Sino-Kaz Company for its 49% share, less the present value of net income distributed to "Sino-Kaz Company". The Company has not exercised the call option as of 31 December 2010.

The Group has also entered into a put option agreement which provides Sino-Kaz Company with the option to sell its 49% interest in Semizbay to the Group at a price equal to the consideration paid by Sino-Kaz Company, less the present value of net income distributed to Sino-Kaz Company. This put option is contingent upon the following events: (a) The Government of Kazakhstan terminates subsoil use agreement of any uranium deposits that belong to Semizbay; (b) Export of uranium by Semizbay is either prohibited or/and under embargo; (c) any other reasons, arising from the Company's fault in respect of other relevant agreements as agreed between the counterparties. The Company has not exercised the put option as of 31 December 2010.

(b) Subsoil use agreement

Subsoil use agreements for uranium fields held by the Group require it to reimburse the Government of the Republic of Kazakhstan (the "Government") for historical geological exploration and evaluation costs incurred. The amount of such liabilities at 31 December 2010 was KZT 2,457,193 thousand (2009: KZT 1,804,773 thousand).

The costs are to be reimbursed to the Government via quarterly payments over a 10 year period, beginning from the date of commercial extraction of uranium. The liability represents the discounted cash flow of estimated future payments. The discount rate applied in 2010 is 1.4% for historical costs denominated in USD and 7% for those denominated in tenge (2009: 8.4%). This is a risk free nominal rate and the future cash outflows reflect risk specific to the liability.

Management changed the presentation in 2010 as they considered disclosure as other financial liability was more reflective of the nature of the liability.

	Historical costs movement
	000'KZT
As at January 1, 2010	-
Transferred from provisions	1,226,245
Created within the year	872,432
Change in estimate	123,090
Unwinding of discount	171,883
Repaid within the year	(273,324)
Foreign exchange	(7,657)
As at December 31, 2010	**2,112,669**
Comprised of:	
Non-current	1,808,294
Current	304,375
	2,112,669

41. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, term deposits and investment securities.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 39% of the Group's revenue is attributable to sales transactions with three main customers. The Group defines counterparties as having similar characteristics if they are related entities.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group does not require collateral in respect of trade and other receivables.

41. FINANCIAL RISK MANAGEMENT, CONTINUED

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

'000 KZT	Carrying amount	
	31.12.2010	31.12.2009
Available-for-sale investments	66,045,648	66,045,671
Term deposits	79,059,783	23,782,889
Trade receivables	56,066,466	32,225,631
Cash and cash equivalents	22,384,108	30,082,948
Loans given to related parties (Note 30)	11,263,444	-
Loans to employees	457,433	491,027
Receivables from subsoil users	12,881	397,085
	235,289,763	**153,025,251**

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

'000 KZT	Carrying amount	
	31.12.2010	31.12.2009
China	38,271,627	23,616,662
Domestic	7,575,580	6,515,718
Japan	5,495,183	266,165
USA	2,379,861	1,346,515
European countries	2,280,333	69,640
Other regions	63,882	410,931
	56,066,466	**32,225,631**

The most significant clients of the Group are China Nuclear Energy Industry Corporation and CGNPC Uranium Resources Company Limited. As at 31 December 2010, the cumulative balance receivable from these clients was KZT 27,195,962 thousand (2009: KZT 16, 492,813 thousand).

Provision for doubtful debts

The average credit period taken on sales of goods is 30 days. No interest is charged on the receivables for the first 30 days from the date of the invoice. Thereafter, interest is charged at the refinancing rate set out by the National Bank of the Republic of Kazakhstan (31 December 2010: 7%) on the outstanding balance. Allowances against doubtful debts are recognized against trade receivables between 30 days and 120 days and over 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

41. FINANCIAL RISK MANAGEMENT, CONTINUED

As at reporting date, the ageing of the trade receivables was as follows:

'000 KZT	Gross 31.12.2010	Impairment 31.12.2010	Gross 31.12.2009	Impairment 31.12.2009
Not past due	56,066,466	-	31,028,522	-
Past due 0-30 days	-	-	226,788	-
Past due 31-120 days	-	-	737,643	-
Past due more than 120 days	563,432	563,432	782,322	549,644
	56,629,898	**563,432**	**32,775,275**	**549,644**

During the reporting period, the movement on the provision for impairment of trade receivables was as follows:

	2010 '000 KZT	2009 '000 KZT
Balance at 1 January	549,644	489,502
Increase in provision for doubtful debts	111,903	145,574
Amounts written off during the year	(98,115)	(85,432)
Balance at 31 December	**563,432**	**549,644**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expense of financial obligations: this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Below is the information presented on Group's undrawn borrowing facilities & temporary available cash and cash equivalents, including short-term deposits, which are the important instrument on managing the liquidity risk:

	31.12.2010 '000 KZT	31.12.2009 '000 KZT
- amount unused	8,888,957	6,652,096
- amount used (bank account)	15,903,133	25,474,430
- amount used (current deposits)	83,614,136	27,351,253
	108,406, 226	**59,477,779**

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(c) Liquidity risk, continued

The following are the contractual maturities of financial liabilities:

31.12.2010

'000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More 5 years
Non derivative financial liabilities									
Secured bank loans	43,011,752	45,200,268	5,834,749	4,842,231	16,127,970	11,746,159	5,803,427	845,731	-
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	75,984	75,984	23,464	18,184	27,780	6,556	-	-	-
Unsecured non bank loans	5,902,876	5,974,125	680,308	659,606	3,302,637	1,141,316	-	-	190,258
Other financial liabilities	44,591,126	121,510,353	1,093,118	1,397,493	4,449,681	5,177,100	10,212,431	5,762,867	93,417,663
Bonds	73,135,933	96,731,250	2,303,125	2,303,125	4,606,250	4,606,250	4,606,250	78,306,250	-
Trade payables	32,101,356	32,101,356	31,847,305	-	-	-	-	254,051	
		301,858,162	**41,782,069**	**9,220,639**	**28,567,283**	**22,730,346**	**20,675,073**	**85,221,864**	**93,660,888**

31.12.2009

'000 KZT	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	from 1 to 2 years	from 2 to 3 years	from 3 to 4 years	from 4 to 5 years	More 5 years
Non derivative financial liabilities									
Secured bank loans	56,020,394	59,602,653	16,881,648	9,727,544	6,267,936	13,212,262	5,254,063	3,844,905	4,414,295
Preferred shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	151,488	151,488	18,202	47,374	85,912	-	-	-	-
Unsecured non bank loans	4,789,659	5,497,758	14,347	490,731	978,600	2,497,306	876,075	-	640,700
Other financial liabilities	38,592,034	120,257,353	-	82,043	2,200,476	4,296,654	5,028,811	10,096,937	98,552,432
Trade payables	16,454,593	16,454,593	6,979,692	9,474,901	-	-	-	-	-
		202,228,672	**23,893,889**	**19,822,593**	**9,585,889**	**20,059,187**	**11,211,914**	**13,994,807**	**103,660,394**

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will have a negative impact on the Group's income or the value of its financial instrument holdings. The objective of market risk management is to monitor and control market risk exposures within acceptable limits, while optimizing the return on investments.

The Group occasionally utilizes derivatives in order to manage market risks. Derivatives are not entered into for speculative purposes. Usually, the Group does not apply hedge accounting in order to manage volatility in the profit or loss.

The weighted-average rate on non-derivative financial instruments as at 31 December 2010 was 7% (2009: 8.5%)

(i) Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Group's functional currency tenge.

Borrowings are denominated in currencies that match the cash flows generated by operating entities in the Group. Therefore, in most cases, economic hedging is achieved without derivatives.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Price risk on uranium products

The Group is exposed to the effect of fluctuations in the price of uranium, which is quoted in USD on the international markets. The Group prepares an annual budget based on future uranium price forecasts.

Uranium prices historically fluctuate and are affected by numerous factors outside of the Group's control, including, but not limited to, demand from utilities, depleting levels of secondary sources such as recycling and blended down highly enriched stocks available to close the gap of the excess demand over supply, regulations by International Atomic Energy Agency and other factors related specifically to uranium.

At the balance sheet date there was no significant impact of commodity price risk on the Group's financial assets and liabilities.

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(iii) Currency risk exposure

Exposure of the Group to currency risk was as follows:

	31.12.2010 USD-denominated	31.12.2009 USD-denominated
Term deposits	69,066,667	20,813,711
Trade receivables	46,940,221	26,505,897
Cash and cash equivalents	9,567,673	16,984,091
Other investments	1,325,407	-
Total assets	**126,899,968**	**64,303,699**
Loans and borrowings	(41,832,357)	(52,880,615)
Other financial liabilities	(44,591,126)	(38,592,034)
Trade payables	(2,211,684)	(478,033)
Total liabilities	**(88,635,167)**	**(91,950,682)**
Net exposure	**38,264,801**	**(27,646,983)**

The following significant exchange rates applied during the year:

In KZT	**Average rate**		**Reporting date spot rate**	
	2010	**2009**	**2010**	**2009**
USD 1	147.35	147.50	147.40	148.36

Sensitivity analysis

A 10% weakening and 10% strengthening of the KZT against USD as at 31 December 2010 (2009:10% and 15%) would increase (decrease) equity and profit/loss by the amounts shown below.

	Profit or loss '000 KZT
2010	
USD	
+10%	3,826,480
-10%	(3,826,480)
2009	
USD	
+10%	(2,764,698)
-15%	4,147,047

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(iv) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management adopts a risk management policy of ensuring that between 20% and 40% of its borrowings are on a fixed rate basis primarily by entering into interest rate swaps. The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. The present value of swaps entered into by the Group are not material to the consolidated financial statements presentation as at 31 December 2010.

At the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Nominal amount	
'000 KZT	**31.12.2010**	**31.12.2009**
Fixed rate instruments		
Financial assets	96,804,202	28,391,407
Financial liabilities	(74,560,323)	(7,844,897)
	22,243,879	**20,546,510**
Floating rate instruments		
Financial liabilities	**(47,471,932)**	**(53,643,846)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value sensitivity analysis for floating rate instruments

An increase of 100 basis points and a decrease of 25 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss	
'000 KZT	**100 bp increase**	**25 bp decrease**
2010		
Variable rate instruments	(474,719)	118,680
2009		
Variable rate instruments	(536,438)	134,110

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(e) Fair values versus carrying amounts

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values due to their short term nature.

	31.12.2010		31.12.2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Secured bank credits	43,011,752	42,997,453	7,693,409	7,179,216
Unsecured banks loans	5,884,570	5,743,938	174,435	113,962
Bonds	73,154,239	76,825,253	-	-
	122,050,561	125,566,644	7,867,844	7,293,178

(f) Fair value of financial instruments

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

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

	31.12.2010			31.12.2009		
'000 KZT	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other financial liabilities	-	-	44,591,126	-	-	38,592,034

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

	31.12.2010	31.12.2009
Beginning balance	38,592,034	28,273,845
Additions	2,112,669	-
Loss recognized in profit for the year	3,886,423	10,318,189
Ending Balance	44,591,126	38,592,034

During 2010 the carrying value of other financial liabilities changed by KZT 5,999,092 thousand; out of which KZT 3,886,423 thousand was recognized in the financial expense and foreign exchange gains/(losses) and the remaining amount of KZT 2,112,669 thousand represents the liabilities on historical costs reclassified from provisions (Note 40). The change in fair value was calculated by discounting the cash surrender value of the shares based on the rate of interest on borrowed capital of the Group, and the translation of that amount from U.S. dollars into tenge. A change in the discount rate of 1% would increase the carrying value by KZT 3,428,262 thousand.

41. FINANCIAL RISK MANAGEMENT, CONTINUED

(g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the following indicators:

- Financial stability, or measures of loan management, determining the degree of borrowing funds utilization;
- Profitability, determining cumulative effects of liquidity, asset and capital management as a result of business activities.

The Group has targets for gearing ratio of not greater than 1:1, Debt / EBITDA (as defined by Group management for liquidity purposes) ratio of not greater than 4:1, and EBIT (as defined by Group management for liquidity purposes)/ Net interest expense ratio of not less than 7:1.
The ratios at the year end were as follows:

Gearing ratio	**31.12.2010 '000KZT**	**31.12.2009 '000KZT**
Debt included:	166,717,671	99,573,825
Long-term loans and borrowings	110,612,788	34,974,316
Other financial liabilities	44,591,126	38,592,034
Short-term loans and borrowings	11,513,757	26,007,475
Equity	279,419,707	244,234,264
	0.60	0.41

For liquidity management purposes, the Group calculates EBIT and EBITDA as follows:

Calculation EBITDA	**31.12.2010**	**31.12.2009**
Gross profit	63,980,462	65,797,279
Financial expenses excluding interest expense	(5,161,577)	(1,181,865)
Administrative expenses	(13,264,911)	(8,984,719)
Distribution expense	(2,325,968)	(1,824,124)
EBIT	**43,228,006**	**53,806,571**
Depreciation and amortization	10,609,197	6,823,318
EBITDA	**53,837,203**	**60,629,889**

Debt / EBITDA ratio

	31.12.2010 '000KZT	**31.12.2009 '000KZT**
Debt included::	166,717,671	99,573,825
Borrowing and loans	110,612,788	34,974,316
Other financial liabilities	44,591,126	38,592,034
Borrowing and loans	11,513,757	26,007,475
EBITDA	53,837,203	60,629,889
	3.10	1.64

	31.12.2010 '000KZT	**31.12.2009 '000KZT**
EBIT	43,228,006	53,806,571
Net interest expense	4,619,932	4,723,041
	9.36	11.39

41. FINANCIAL RISK MANAGEMENT, CONTINUED

In 2010 subsidiary company MAEK-Kazatomprom LLP received a loan from Natixis bank with JSC NAC Kazatomprom acting as a co-borrower thereunder. The outstanding amount as at 31 December 2010 was KZT 684,045 thousand. Pursuant to the facility agreement under this loan, EBITDA shall be calculated as follows:

	31.12.2010 '000KZT	**31.12.2009 '000KZT**
Gross profit	73,668,272	54,072,176
Net interest expense	4,765,069	6,652,427
EBIT	**78,433,341**	60,724,603
Depreciation and amortization	10,609,197	6,823,318
EBITDA	**89,042,538**	**67,547,921**

Debt / EBITDA ratio

	31.12.2010 '000KZT	**31.12.2009 '000KZT**
Debt included::	166,717,671	99,573,825
Borrowing and loans	110,612,788	34,974,316
Other financial liabilities	44,591,126	38,592,034
Borrowing and loans	11,513,757	26,007,475
EBITDA	89,042,538	67,547,921
	1.87	1.47

The Group is not subject to any externally imposed capital requirements.

42. CONTINGENCIES

(a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial results.

(b) Taxation contingencies

(i) Taxation contingencies

The tax system of Kazakhstan is quite new and characterized by a large number of taxes (corporate income tax, value added tax, and personal income tax being material to the Group's operations) and frequent changes in legislation, official regulation and court rulings. Taxes are subject to review by a number of bodies which are entitled to charge fines, interest and penalties. Tax years remain open to reviews by tax authorities during 5 calendar years subsequent to year-end; however in certain circumstances the tax year can remain open longer. Various Kazakh legislative acts are not always clearly set forth and their interpretation depends on the opinion of local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan, for example, the definition of taxable turnover for VAT purposes, the deductibility of certain expenses for CIT purposes, questions of application of the new tax code effective from 2009, the determination of the timing of revenue recognition, and other issues. The opinions of the local, regional, and republican tax officials often differ. The existing regime of charging penalties and fines in case of declared and discovered violations of laws, decrees and standards of Kazakhstan are very strict, especially now, tax authorities are very aggressive in inspection of subsurface users. The sanctions include confiscation of disputable amounts (for violation of rules of exchange operations), and penalties of 2.5–times the official refinancing rate set by the National Bank of the Republic of Kazakhstan for each day of the violation. The rate of the penalty comprises 50% of the additional charge of the tax. As a result, penalties and fines can result in amounts many times greater than the incorrectly calculated taxes.

42. CONTINGENCIES, CONTINUED

(b) Taxation contingencies, continued

(i) Taxation contingencies, continued

Such conditions can create more serious tax, penalty, and interest risks in Kazakhstan than in other countries. Management believes that it has appropriately provided for all tax liabilities based on existing interpretations of applicable tax laws, regulations and court rulings. Nonetheless, the opinions of the respective authorities can differ, which can significantly impact the financial statements if the authorities manage to prove the legality of their own interpretations.

During 2009, the Group's associate JV Betpak-Dala LLP (the "Associate") was the subject of a tax audit for the 2004-2008 years. Based on the results of the tax audit, an act and notification were issued to the Associate for additional accrual of taxes, penalties and interest of KZT 3,392,911 thousand. On 24 November 2009 the Associate paid KZT 177,117 thousand. The Group does not agree with the additional tax assessments related to excess profit tax.

The Group filed an appeal against the results of the tax audit during the year ended 31 December 2009. In February 2010, the Company was officially notified by the Tax Committee that it did not accept the Associate's appeal against the above additional assessments and specified the right of the Associate to challenge the notification in a judicial procedure.

On 10 March 2010 the Associate filed a claim in court for invalidating the tax audit results. On 6 August 2010 the first court gave a judgment to reject the invalidation of the tax audit results. On 20 August 2010 the Associate filed an appeal against the first court judgment to the appeal court and specified breaches of the tax audit and judicial procedures at the first court. The court applied to the Ministry of Finance of the Republic of Kazakhstan for expert advice.

In January 2011 the Ministry of Finance issued its decision on correctness of tax results. On 1 February 2011 the Associate filed an appeal to the court of review.

(ii) Excess profit tax

In accordance with new tax legislation the methodology of excess profit tax ("EPT") calculations has changed. As per new rules, subsoil users must pay EPT on the amount of net income they earned from contractual operations in a calendar year, which exceeds the amount equal to 25% from the deductions used for EPT calculations. For the EPT calculation purposes, EPT expenditures include the following:

- Corporate income tax deductions claimed in a reporting year, net of any fixed asset depreciation and intangible asset amortization charges, as determined for corporate income tax purposes;
- Any capital expenditures that a subsoil user incurs in the reporting year for the purposes of its subsoil use operations;
- Any unused net operating losses that a subsoil user incurred in the course of its subsoil operations in prior years and that were carried forward to the reporting year.

The excess profit tax base is the portion of the net income, as this term is defined below, calculated for each subsoil contract, in excess of 25% of the amount of the corresponding EPT deductions. For the purposes of calculating EPT, the net income represents the difference between the taxable income and the amount of corporate income tax liability, where the taxable income is the gross annual revenues less the amount of abovementioned EPT expenditures. The applied EPT rates vary on the progressing scale from 10% to 60% depending on the ratio of total annual revenues to annual EPT deductions.

In an environment of lower commodity prices, management of the Group anticipates that an internal rate of return of above 20% will not be reached for the foreseeable future.

(iii) Mineral Extraction Tax

Starting from 1 January 2009 the new Tax Code of the Republic of Kazakhstan introduces a tax on extraction of mineral products, a "mineral extraction tax" ("MET"). This new tax replaces previously existing royalty payments for subsoil use rights. Mineral extraction tax applies to all subsoil users that produce minerals, including uranium.

The tax base for mineral extraction tax is the value of the depleted deposits of a mineral extracted in the reporting period, which is a calendar quarter. In the complete absence of depleted deposits, the tax base for the calculation of the mineral extraction tax is determined based on actual production costs of mining and primary processing (enrichment), which was increased by 20%.

MET applies to uranium at the rate of 22% for 2010.

42. CONTINGENCIES, CONTINUED

(c) Environmental obligations

In accordance with "the Implementing Agreement between the Department of Energy of the United States of America and the Ministry of Energy, Industry and Trade of the Republic of Kazakhstan " dated 19 December 1999, the governments of the United States of America and Kazakhstan have assumed responsibility for decommissioning reactor BN - 350 and for storing the reactor's nuclear fuel rods. Under the Agreement, the US Government has undertaken to obtain financing from international organizations including Technical Assistance for CIS countries (TACIS) of the European Union, Precioso (France), Canberra (Belgium), and ALSTOM (France), and domestic not-for-profit organizations, Scientific Production Centre BYaT and KATEP JSC. The estimated commitments for decommissioning and reclamation of the atomic reactor BN-350 in entirety are KZT 35 billion. However, the Government of the Republic of Kazakhstan does not grant this amount; therefore, the issue on further financing of this program has no solution yet. The Government of the Republic of Kazakhstan is to fulfill certain obligations agreed with the International Atomic Energy Agency.

(d) The National Security Committee investigation

In 2009 the National Security Committee of the Republic of Kazakhstan, under supervision of the General Prosecutor, commenced an investigation against the former Chef Executive Officer of the Company and other former employees of the Company and its subsidiaries. The investigation related to allegations mainly concerned with asset embezzlement and illegal sale of certain uranium deposits to affiliated offshore companies. On 12 March 2010 the court sentenced the former chief executive to 14 years imprisonment. Also, prosecutor's office announced in March 2010 that there was a new investigation into allegations that the former chief executive was involved in money laundering. Management believes that these investigations and allegations do not have any effect on the Group's consolidated financial statements, as they are initiated against former management and not the Company or the Group.

(e) Guarantees

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 56,663,141 thousand (2009: KZT 57,168,822 thousand).

43. RELATED PARTY TRANSACTIONS

(a) Control relationships

The Company was established in accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008, on 19 January 2009 the Fund of National Prosperity Samruk-Kazyna (the "Shareholder") became the sole owner of the Company. The Fund of National Prosperity Samruk-Kazyna is a wholly owned by the Government of the Republic of Kazakhstan (the "Ultimate controlling party").

(b) Transactions with management and close family members

The members of the board of directors, executive directors, heads of departments and their close family members do not control any voting shares of the Group, as 100% of the shares are owned by the Government of the Republic of Kazakhstan.

(i) Management remuneration

Key management received the following remuneration during the year, which is included in personnel costs (Note 15).

	2010 '000 KZT	2009 '000 KZT
Salaries and bonuses	1,386,529	1,016,559

The Group's related party transactions are disclosed in the following tables. In relation to government entities who are related parties, the Group only has transactions with the group of companies under the Fund of National Prosperity Samruk-Kazyna (the "Shareholder") as detailed below.

43. RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties

(i) Revenue

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Sale of goods				
Sale of goods				
Associates	13,740,024	3,843,286	6,074,453	863,590
Jointly controlled entities	5,746,717	165,842	1,301,130	311,927
Entities under common control	10,889,203	316,744	108,718	-
Others	-	-	42,653	-
Services provided:				
Associates	11,319,899	849,236	10,129,236	5,539,319
Jointly controlled entities	3,055,777	271,681	3,000,294	3,224,753
Dividends declared by associates	7,120,088	1,325,407	1,997,770	-
Entities under common control	3,589,175	3,582,946	10,310,719	496,911
Others	626,373	-	617,767	-
	56,087,256	**10,355,142**	**33,582,740**	**10,436,500**

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(ii) Expenses

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Purchase of goods:				
Associates	42,087,237	13,554,858	27,422	6,296,056
Jointly controlled entities	28,305,167	8,984,721	276,629	408,973
Entities under common control	6,969,668	1,843,343	506	39
Services received:				
Associates	1,436,117	341,525	1,568,648	376,990
Jointly controlled entities	109,634	12,174	61,510	6,145
Entities under common control	740,403	15,669	3,482,030	846,607
Others	97,497	-	100,863	-
	79,745,723	**24,752,290**	**5,517,608**	**7,934,810**

All outstanding balances with related parties are to be settled in cash within six months of the balance sheet date. None of the balances are secured.

(iii) Loans given

'000 KZT	Amount loaned 2010	Outstanding balance 2010	Amount loaned 2009	Outstanding balance 2009
Associates	6,222,980	6,222,980	-	-
Jointly controlled entities	512,000	512,000	-	-
Other	4,528,464	4,528,464	-	-
	11,263,444	**11,263,444**	-	-

43. RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties, continued

(iv) Transactions with Halyk Bank JSC

Deposits

'000 KZT	Gross	Principal	%
As at January 1, 2009	34,883,297	34,080,997	802,300
Placed/Accrued	(116,924)	-	(116,924)
Withholding tax	1,477,800	1,472,315	5,485
Withdrawn	(28,174,524)	(27,511,965)	(662,559)
As at December 31, 2009	**8,069,649**	**8,041,347**	**28,302**
Placed/Accrued	85,049,357	84,830,368	218,989
Withholding tax	(21,503)	-	(21,503)
Foreign exchange difference	658	864	(206)
Withdrawn	(61,877,762)	(61,755,920)	(121,842)
As at December 31, 2010	**31,220,399**	**31,116,659**	**103,740**

Loans

'000 KZT	Gross	Principal	%
As at January 1, 2009	**2,064,028**	**2,050,000**	**14,028**
Received/Accrued	2,434,296	2,426,400	7,896
Foreign exchange difference	3,000	3,000	-
Repaid	(4,501,324)	(4,479,400)	(21,924)
As at December 31, 2009	-	-	-
As at December 31, 2010	-	-	-

Current account

'000 KZT	31.12.2010	31.12.2009
As at 31December	3,087,664	9,590,325

(v) Transactions with Subsidiary insurance Group of Halyk Bank of Kazakhstan "Halyk-Kazakhinstrakh" JSC (Subsidiary Group of Halyk Bank of Kazakhstan JSC)

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Revenue - services provided	15,302	53	8,837	2
Expenses - services received	182,327	2,364	3,279	-

43. RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties, continued

(vi) Transactions with BTA Bank JSC

Deposits

'000 KZT	Gross	Principal	%
As at January 1, 2009	490,809	477,898	12,911
Placed/Accrued	16,818,118	16,779,224	38,894
Withholding tax	(6,916)	-	(6,916)
Foreign exchange difference	1,676,905	1,676,561	344
Withdrawn	(18,882,000)	(18,842,820)	(39,180)
As at December 31, 2009	**96,916**	**90,863**	**6,053**
Placed/Accrued	677,817	670,718	7,099
Withholding tax	(1,518)	-	(1,518)
Foreign exchange difference	-	-	-
Withdrawn	(461,999)	(453,393)	(8,606)
As at December 31, 2010	**311,216**	**308,188**	**3,028**

Loans

'000 KZT	Gross`	Principal	%
As at January 1, 2009	443,564	440,400	3,164
Received/Accrued	1,448,824	1,179,080	269,744
Repaid	(918,852)	(700,300)	(218,552)
As at December 31, 2009	**973,536**	**919,180**	**54,356**
Received/Accrued	80,083	-	80,083
Repaid	(660,711)	(553,021)	(107,690)
As at December 31, 2010	**392,908**	**366,159**	**26,749**

Current account

'000 KZT	31.12.2010	31.12.2009
As at 31 December	282,386	258,486

(vii) Transactions with Temirbank JSC

Deposits

'000 KZT	Gross	Principal	%
As at January 1, 2009	-	-	-
Placed/Accrued	18,984,959	18,638,420	346,539
Withholding tax	(53,019)	-	(53,019)
Foreign exchange difference	1,690,563	1,684,722	5,841
Withdrawn	(20,622,503)	(20,323,142)	(299,361)
As at December 31, 2009	-	-	-
As at December 31, 2010	-	-	-

Current account

'000 KZT	31.12.2010	31.12.2009
As at 31December	8,515	1,642

43. RELATED PARTY TRANSACTIONS, CONTINUED

(viii) Transactions with "SC of BTA Bank BTA Insurance"

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Revenue - services provided	-	-	16,431	329
Expenses – services received	4,891	-	12,489	13

(ix) Transactions with BTA Securities JSC

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Expenses - services received	-	-	2,460	-

(x) Transactions with GSM Kazakhstan Kazakhtelecom JSC

'000 KZT	Transaction value 2010	Outstanding balance 2010	Transaction value 2009	Outstanding balance 2009
Revenue -services provided	10,050	2,669	6,314	2,534
Expenses - services received	16,284	918	12,193	364

(d) Pricing policies

Pricing for related party transactions are primarily based on the "cost plus" method.

44. SUBSEQUENT EVENTS

In 2011 the Group made additional investments to the charter capital of LLP Kyzylkum (30% share) of KZT 3,496,320 thousand and LLP Baiken-U (5% share) of KZT 1,018,990 thousand. The Group's ownership interests in these entities remains unchanged, as the all the other parties made proportionate contributions.

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