

JSC National Atomic Company
“Kazatomprom”

Consolidated Financial Statements
as at and for the years ended 31 December
2009, 2008 and 2007

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2009, 2008 AND 2007**

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 the Group is responsible for the preparation of the consolidated financial statements that give a true and fair view of the consolidated financial position of the Group as at 31 December 2009, 2008 and 2007, the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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

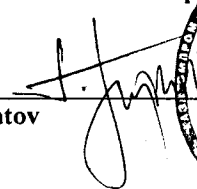
- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

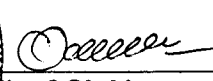
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that 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
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the years ended 31 December 2009, 2008 and 2007 were authorized for issue by the management of the Group on 20 April 2010.

On behalf of management of the Group:


Galymzhan O. Pirmatov
Vice-President


Galina I. Okshina
Chief Accountant



20 April 2010
Almaty, Republic of Kazakhstan

20 April 2010
Almaty, Republic of Kazakhstan

INDEPENDENT AUDITORS' 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 (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2009, 2008 and 2007, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

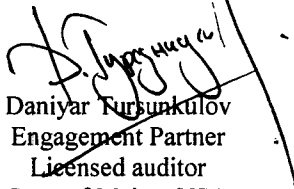
Member of Deloitte Touche Tohmatsu

Opinion

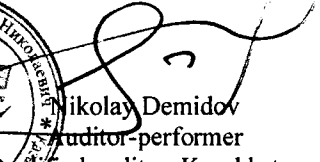
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 2008 and 2007, and its financial performance and its cash flows for each of the three years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

As described in Note 7, the consolidated financial statements as at and for the years ended 31 December 2008 and 2007 were restated.

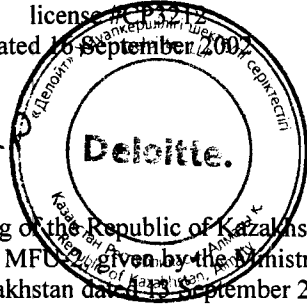


Daniyar Tursunkulov
Engagement Partner
Licensed auditor
State of Maine, USA
license # CP 3317
dated 16 September 2007

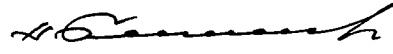


Nikolay Demidov
Auditor-performer
Qualified auditor, Kazakhstan
Qualification certificate #0000573
dated 20 December 2004

Deloitte, LLP



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



Nurlan Bekenov
General Director
Deloitte, LLP

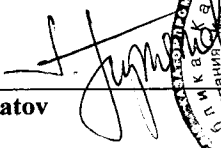
20 April 2010
Almaty, Republic of Kazakhstan

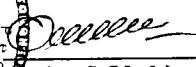
JSC National Atomic Company "Kazatomprom"
Consolidated statements of comprehensive income
as at 31 December 2009, 2008 and 2007

	Note	2009 000'KZT	2008 (restated) 000'KZT	2007 (restated) 000'KZT
Revenue	8	178,506,818	127,104,898	117,758,289
Cost of sales	9	(112,709,539)	(82,695,061)	(61,213,761)
Gross profit		65,797,279	44,409,837	56,544,528
Distribution expenses	10	(1,824,124)	(2,014,923)	(1,494,101)
Administrative expenses	11	(8,984,719)	(12,920,966)	(11,989,385)
Financial income	12	3,111,251	2,031,266	3,444,144
Financial expense	12	(7,834,292)	(4,099,430)	(2,552,941)
Foreign exchange losses		(9,653,705)	(239,961)	(1,708,676)
(Loss)/profit on disposal of investments	6	-	(2,796,207)	1,462,925
Share of results of associates	23	13,503,206	5,164,270	8,880,688
Share of results of jointly controlled entities	24	3,345,890	560,417	(70,304)
Other income	13	865,510	544,782	1,274,269
Other expense	14	(4,254,120)	(5,314,367)	(2,172,694)
Profit before income tax		54,072,176	25,324,718	51,618,453
Income tax expense	16	(12,612,443)	(14,279,460)	(15,615,271)
Profit for the year		41,459,733	11,045,258	36,003,182
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		297,874	1,442,290	(1,824,315)
Other comprehensive income/(loss) for the year, net of tax		297,874	1,442,290	(1,824,315)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		41,757,607	12,487,548	34,178,867
Profit for the year attributable to:				
Owners of the Company		40,683,975	11,119,990	35,615,769
Non-controlling interests		775,758	(74,732)	387,413
		41,459,733	11,045,258	36,003,182
Total comprehensive income for the year attributable to:				
Owners of the Company		40,981,849	12,562,280	33,791,454
Non-controlling interests		775,758	(74,732)	387,413
		41,757,607	12,487,548	34,178,867
Earnings per share from continuing operations				
Basic and diluted (tenge)	17	1,109	303	1,595

The accompanying notes on pages 11-99 form an integral part of these financial statements.

These consolidated financial statements were approved by management on 20 April 2010 and were signed on its behalf by:


Galymzhan O. Pirmatov
Vice-President


Galina I. Okshina
Chief Accountant



JSC National Atomic Company "Kazatomprom"
 Consolidated statements of financial position
 as at 31 December 2009, 2008 and 2007

	Note	31.12.2009 '000 KZT	31.12.2008 (restated) '000 KZT	31.12.2007 (restated) '000 KZT	01.01.2007 (restated) '000 KZT
ASSETS					
Non-current assets					
Property, plant and equipment	18	79,207,322	74,736,389	57,771,406	40,525,835
Mine development assets	19	17,455,372	13,305,121	7,170,185	6,215,893
Investment property		889,547	473,037	-	-
Intangible assets	20	191,547	184,540	166,123	85,483
Mineral rights	21	895,764	2,650,185	1,651,406	1,469,591
Exploration and evaluation assets	22	3,865,138	438,833	3,342,297	2,336,678
Investments in associates	23	35,745,953	18,731,370	14,647,023	2,523,415
Investments in jointly controlled entities	24	6,495,472	4,327,160	2,760,807	68,173
Other investments	25	66,045,671	66,045,647	65,313,083	439,192
Advances paid and other receivables	27	1,769,348	7,307,023	5,401,914	3,265,642
Inventories	28	7,077,867	9,148,251	9,968,853	9,655,040
Term deposits	30	1,040,154	875,112	386,527	424,532
Deferred tax assets	29	1,639,226	2,877,676	1,083,777	1,279,965
Total non-current assets		222,318,381	201,100,344	169,663,401	68,289,439
Current assets					
Inventories	28	52,103,354	34,447,267	21,700,500	17,757,559
Other investments	25	-	22,653,413	1,942,559	314,398
Prepaid income tax	3	3,876,978	1,974,202	5,026,689	326,448
Trade receivables	26	32,225,631	25,580,012	25,337,692	13,694,787
Advances paid and other receivables	27	22,240,603	21,738,691	10,998,864	72,652,549
Term deposits	30	22,742,735	15,201	3,092,484	4,419,603
Cash and cash equivalents	31	30,082,948	34,160,628	10,287,760	26,489,888
Restricted cash	32	1,662,066	-	-	-
Total current assets		164,934,315	140,569,414	78,386,548	135,655,232
Total assets		387,252,696	341,669,758	248,049,949	203,944,671

The accompanying notes on pages 11-99 form an integral part of these financial statements.

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JSC National Atomic Company "Kazatomprom"
 Consolidated statements of financial position
 as at 31 December 2009, 2008 and 2007 (continued)

	Note	31.12.2009 '000 KZT	31.12.2008 (restated) '000 KZT	31.12.2007 (restated) '000 KZT	01.01.2007 (restated) '000 KZT
EQUITY AND LIABILITIES					
Equity					
Share capital	33	36,692,362	36,692,362	36,692,362	7,980,715
Additional paid-in capital	33	5,330,324	5,573,807	4,187,732	2,736,191
Foreign currency translation reserve		(1,316,787)	(1,614,661)	(3,056,951)	(1,232,636)
Retained earnings		194,418,746	153,742,508	143,663,119	108,438,090
Total equity attributable to Owners of the Company		235,124,645	194,394,016	181,486,262	117,922,360
Non-controlling interest		9,109,619	8,372,715	5,349,122	4,678,258
Total equity		244,234,264	202,766,731	186,835,384	122,600,618
Non-current liabilities					
Loans and borrowings	34	34,974,316	35,671,281	20,265,040	14,428,555
Other financial liabilities	6	38,592,034	28,273,845	-	-
Provisions	35	4,667,555	4,437,811	3,620,988	4,564,682
Trade payables	36	255,706	208,153	207,343	218,891
Advances received and other payables	37	24,419	46,655	24,158	17,121
Preference shares	38	264,827	264,827	271,275	271,275
Grants	40	353,309	334,552	353,619	394,040
Deferred tax liabilities	29	1,200,547	584,485	1,353,187	886,970
Total non-current liabilities		80,332,713	69,821,609	26,095,610	20,781,534
Current liabilities					
Loans and borrowings	34	26,007,475	32,808,527	17,500,641	16,151,231
Provisions	35	285,906	450,016	237,571	272,189
Trade payables	36	16,454,593	6,452,330	9,754,855	11,211,907
Advances received and other payables	37	16,292,961	23,421,563	4,847,910	23,461,885
Accrued liabilities	39	3,621,286	5,873,045	2,667,068	9,407,042
Grants		23,498	75,937	110,910	58,265
Total current liabilities		62,685,719	69,081,418	35,118,955	60,562,519
Total liabilities		143,018,432	138,903,027	61,214,565	81,344,053
Total equity and liabilities		387,252,696	341,669,758	248,049,949	203,944,671

The accompanying notes on pages 11-99 form an integral part of these financial statements.

JSC National Atomic Company "Kazatomprom"
 Consolidated statements of cash flows
 for the years ended 31 December 2009, 2008 and 2007

	2009	2008	2007
	'000 KZT	(restated)	(restated)
OPERATING ACTIVITIES	'000 KZT	'000 KZT	'000 KZT
Receipts from customers	185,367,109	160,835,164	116,061,132
Payments to suppliers	(118,803,126)	(114,418,013)	(86,473,148)
Payments to employees	(20,302,940)	(18,984,760)	(15,299,606)
Cash from operations	46,261,043	27,432,391	14,288,378
Income tax paid	(13,388,287)	(12,873,943)	(47,383,159)
Interest paid	(2,877,385)	(2,254,689)	(1,841,347)
Cash flows from operating activities	29,995,371	12,303,759	(34,936,128)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	94,504	87,780	113,278
Proceeds from disposal of other non-current assets	771	-	25,040
Proceeds from disposal of investments (net of cash derecognized)	1,726	345,853	72,630,963
Maturity of bank deposits	456,892	3,227,375	6,509,074
Interest received	3,085,087	1,241,824	3,291,759
Proceeds from repayment of loans issued	320,000	310,930	25,438
Withdrawal of assets under trust management (Note 25)	20,192,008	-	-
Other proceeds	23,656	373,089	51,964
Loans issued to related parties	(320,000)	-	-
Placement of bank deposits	(23,349,468)	(638,700)	(5,143,950)
Acquisition of property, plant and equipment	(8,758,945)	(18,074,029)	(17,496,612)
Advances paid for property, plant and equipment	(67,296)	(4,104,887)	(4,818,181)
Acquisition of intangible assets	(56,958)	(77,202)	(106,126)
Acquisition of exploration and evaluation assets	(417,143)	(3,686,446)	(930,584)
Acquisition of mine development assets	(4,993,674)	(1,536,827)	(934,334)
Acquisition of other investments (Note 25)	-	(18,593,004)	(1,599,019)
Loans issued to other parties	(39,552)	(2,550,930)	(59,907)
Acquisition of investments in associates	(2,777,892)	(2,292,408)	(2,992,481)
Acquisition of investments in available-for-sale investments	-	-	(65,943,012)
Other payments	(132,875)	(610,291)	(493,391)
Cash flows used in investing activities	(16,739,159)	(46,577,873)	(17,870,081)
FINANCING ACTIVITIES			
Proceeds from other financial liabilities	-	28,297,280	-
Proceeds from issue of shares	-	-	28,686,193
Proceeds from contribution to capital by on-controlling interest	-	1,201,650	-
Proceeds from borrowings	30,195,058	96,246,967	43,600,732
Repayment of borrowings	(51,155,904)	(64,024,240)	(34,486,635)
Repayment of bonds	-	(2,000,000)	(1,367,657)
Payment of finance lease liabilities	(116,951)	(133,882)	(6,663)
Dividends paid	(1,260)	(1,431,462)	(177)
Cash flows from/(used in) financing activities	(21,079,057)	58,156,313	36,425,793
Net increase/(decrease) in cash and cash equivalents	(7,822,845)	23,882,199	(16,380,416)
Cash and cash equivalents at beginning of year (Note 31)	34,160,628	10,287,760	26,489,888
Effect of exchange rate fluctuations on cash and cash equivalents	3,745,165	(9,331)	178,288
Cash and cash equivalents at end of year (Note 31)	30,082,948	34,160,628	10,287,760

The accompanying notes on pages 11-99 form an integral part of these financial statements.

JSC National Atomic Company "Kazatomprom"
 Consolidated statements of changes in equity
 for the years ended 31 December 2009, 2008 and 2007

	'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 2007 (issued financial statement)		7,980,715	(1,230,315)	108,432,454	2,736,191	117,919,045	4,678,258	122,597,303
Restatement (Note 7)		-	(2,321)	5,636	-	3,315	-	3,315
Balance at 1 January 2007 (restated)		7,980,715	(1,232,636)	108,438,090	2,736,191	117,922,360	4,678,258	122,600,618
Profit for the year		-	-	35,615,769	-	35,615,769	387,413	36,003,182
Foreign currency translation loss		-	(1,824,315)	-	-	(1,824,315)	-	(1,824,315)
Total comprehensive income for the year		-	(1,824,315)	35,615,769	-	33,791,454	387,413	34,178,867
Dividends to shareholders		-	-	(390,740)	-	(390,740)	-	(390,740)
Sale of non-controlling interest		-	-	-	-	-	283,451	283,451
Other		-	-	-	1,281,625	1,281,625	-	1,281,625
Change in equity of associates		-	-	-	169,916	169,916	-	169,916
Issue of shares		28,711,647	-	-	-	28,711,647	-	28,711,647
Balance at 31 December 2007 (restated)		36,692,362	(3,056,951)	143,663,119	4,187,732	181,486,262	5,349,122	186,835,384

The accompanying notes on pages 11-99 form an integral part of these financial statements.

JSC National Atomic Company "Kazatomprom"
 Consolidated statements of changes in equity
 for the years ended 31 December 2009, 2008 and 2007(continued)

'000 KZT	Foreign currency translation reserve		Retained earnings	Additional paid-in capital	Total equity attributable to the Owners of the Company		Non-controlling interests	Total equity
	Share capital				Company			
Balance at 1 January 2008 (restated)	36,692,362	(3,056,951)	143,663,119	4,187,732	181,486,262	181,486,262	5,349,122	186,835,384
Profit for the year	-	-	11,119,990	-	11,119,990	11,119,990	(74,732)	11,045,258
Foreign currency translation gain	-	1,442,290	-	-	1,442,290	1,442,290	-	1,442,290
Total comprehensive income for the year	-	1,442,290	11,119,990	-	12,562,280	12,562,280	(74,732)	12,487,548
Dividends to shareholders	-	-	(1,040,601)	-	(1,040,601)	(1,040,601)	-	(1,040,601)
Sale of non-controlling interest	-	-	-	-	-	-	3,098,325	3,098,325
Other	-	-	-	1,204,589	1,204,589	1,204,589	-	1,204,589
Change in equity of associates	-	-	-	181,486	181,486	181,486	-	181,486
Balance at 31 December 2008 (restated)	36,692,362	(1,614,661)	153,742,508	5,573,807	194,394,016	194,394,016	8,372,715	202,766,731

The accompanying notes on pages 11-99 form an integral part of these financial statements.

JSC National Atomic Company "Kazatomprom"
 Consolidated statements of changes in equity
 for the years ended 31 December 2009, 2008 and 2007(continued)

'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 to shareholders	-	-	(7,737)	-	(7,737)	-	(7,737)
Sale of 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

The accompanying notes on pages 11-99 form an integral part of these financial statements.

1 Background

(a) Organizational structure and operations

JSC National Atomic Company "Kazatomprom" JSC ("the Company") and its subsidiaries (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 the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issues No. 1148 dated 22 July 1997. The Company is wholly-owned by the Government of the Republic of Kazakhstan represented by the State Property and Privatization Committee under the Ministry of Finance of the Republic of Kazakhstan. In accordance with the Decree of the Government No. 659 dated 27 May 1999 the State's interest in the Company was transferred to the Ministry of Energy and Natural Resources of the Republic of Kazakhstan ("the Shareholder").

In accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008, on 19 January 2009 the National Welfare Fund Samruk-Kazyna became the sole owner of the Company.

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; drilling and processing services; research and development services and providing social services to the Group's enterprises; and providing management services in accordance with a trust agreement to Stepnogorsk Mining and Chemical Plant LLC and its subsidiaries (Moliken LLC, KenDala.KZ JSC and Arman LLC). The Group's products are sold in Kazakhstan as well as exported outside of Kazakhstan.

As of 31 December 2009 the number of employees in the Group was 18,093 (2008: 18,676, 2007: 18,148).

(b) Kazakhstan business environment

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's current assessment.

(c) Ongoing global liquidity crisis

The global financial turmoil has significantly affected Kazakhstan's economy. It has resulted in a decrease in Kazakhstan's GDP, significant declines in debt and equity prices and a substantial outflow of capital. The Kazakhstan government initiated the adoption of a package of laws and regulations to restore investor confidence, provide liquidity and support medium-term growth of Kazakhstan's economy, however at this stage, there is no clarity with respect to efficiency of these measures.

The Group has not been significantly impacted by the global financial turmoil to date. 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. In addition, the significant depreciation of the Kazakhstan Tenge positively affected the Group's sales in 2008 and 2009 as they are primarily in US Dollar, however this is offset by the currency losses associated with the Group's US Dollar denominated debt. The depreciation of the Kazakhstan Tenge

1 Background, continued

(c) Ongoing global liquidity crisis, continued

has stabilized in the first few months of 2010. In addition, due to the nature of its customers, the Group's customers have continued to pay on a timely basis.

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 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 the building of new power plants by our customers would decrease the future demand for uranium.

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") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Going concern

These 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 financial instruments which are required to be stated at fair value; certain property, plant and equipment was revalued to determine deemed cost as part of the adoption of IFRSs as at 1 January 2005.

(d) Functional and presentation currency

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

Prior to 2008 the Company and its subsidiaries' functional currency was the United States Dollar ("USD"). In 2008 the Company determined that it is exposed to risks associated primarily with the economic environment in Kazakhstan and therefore determined that KZT should be its functional currency with effect from 1 January 2008. The functional currency of the subsidiaries and jointly-controlled entities is the KZT.

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

2 Basis of preparation, continued

(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 directors 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.

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 recognises 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.

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 utilised. Various factors are considered in assessing the probability of the future utilisation 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.

Ore reserve

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 of 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

2 Basis of preparation, continued

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

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.

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 recognised as 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, natural gas 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.

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 Groups estimates the site restoration costs based on the management's understand of the current legal and contractual requirements. The provision is based on management's estimate of the total cost of restoration and discounted to its net present value and is recorded as 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 Notes 3(a) to 3(w). These accounting policies have been consistently applied except for those changes disclosed in Note 7.

(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) *Changes in non-controlling interests in subsidiaries*

Gains or losses on the sale or purchase of an interest in a subsidiary without a change in control are recognized directly in the statement of comprehensive income.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

(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 on 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 for the cases when 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 for the cases when 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 that there is no evidence of impairment.

(vi) Sale of controlling interest in subsidiaries

Gains and losses on disposal of controlling interests in subsidiaries are recognized in the statement of comprehensive income.

(b) Foreign currency transactions

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. Foreign currency differences arising on translation are recognized in the statement of comprehensive income, except for differences arising on the translation of available-for-sale equity instruments recognized directly in other comprehensive income.

(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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(ii) Financial assets

All 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.

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.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling 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:

- 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 statement of comprehensive income. The net gain or loss recognized in the statement of comprehensive income incorporates any dividend or interest earned on the financial asset and is included in financial income line item in the statement of comprehensive income. Fair value is determined in the manner described in note 4.

3 Significant accounting policies, continued

(c) Financial instruments, continued

(ii) *Financial assets, continued*

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 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 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 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.

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.

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.

(iii) *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.

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.

3 Significant accounting policies, continued

(c) Financial instruments, continued

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.

Derecognition of financial liabilities

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

(iv) *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 40.

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 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 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.

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

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity.

Preference share capital

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

3 Significant accounting policies, continued

(d) Share capital, continued

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.

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.

(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 IFRS, 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 property, plant and equipment are recognized net in "other income/expense" in the 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 Company 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 the 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. Depreciation of other property, plant and equipment is recognized in the statement of comprehensive income 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. Land is not depreciated.

The following types of assets are depreciated using the unit-of-production method based on proved and probable reserves of a particular block which the assets are attributable to, over the license period:

- production buildings; and
- machinery and field equipment (which forms part of plant and equipment)

3 Significant accounting policies, continued

(e) Property, plant and equipment, continued

The estimated useful lives are as follows:

- non-production buildings 10 - 45 years
- plant and equipment (other than machinery and field 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 quantification methodology set out by FGU State Commission on Mineral Reserves (GKZ). This methodology has been consistently applied to 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

3 Significant accounting policies, continued

(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 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.

(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 the statement of comprehensive income 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:

- licenses 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

3 Significant accounting policies, continued

(i) Exploration and evaluation assets, continued

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 made under operating leases are recognized in the income statement 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 are apportioned between the finance expense and the reduction 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.

(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 at fair value. Gains and losses arising from changes in the fair value of investment property are included in the statement of comprehensive income in the period in which they arise.

(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

3 Significant accounting policies, continued

(m) Impairment, continued

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 (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognized in the statement of comprehensive income for the year.

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 determined.

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 impairment 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.

(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

3 Significant accounting policies, continued

(o) Retirement benefit costs

The operating entities of the Group contribute to the state pension funds on behalf of all its current employees. Any related expenses are recognized in the consolidated statement of operations as incurred.

In accordance with the Law of the Republic of Kazakhstan "On pension provisioning in the Republic of Kazakhstan" effective from January 1, 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 January 1, 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 78,863 tenge per month per month for the first year half and not exceeding 90,188 tenge per month for the second year half (2007: 69,000 tenge per month for the first year half and not exceeding 73,140 tenge 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.

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 the balance sheet 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, mine license terms, and discount rates may affect the carrying value of the provision. When such costs are identified, additional provisions 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 associates and jointly controlled entities and other related entities, the Group considers these to be contingent 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.

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

Revenue from the sale of energy and water (hereinafter refer to as "utilities") is measured at the fair value of the consideration received or receivable, net of allowances. Such 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 utilities to the customer.

3 Significant accounting policies, continued

(r) **Revenue, continued**

Evidence of the quantity of 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, including drilling of pump-in and pump-out wells and research and development, is recognized in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. Under the contract terms the stage of completion is assessed by reference to surveys of work performed as established by the contracts.

Revenue from processing and transportation services are recognized as delivered.

(s) **Other income and expense**

(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 are not intended for the Group's employees only, they are recognized in the 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 statement of comprehensive income, using the effective interest method. Dividend income is recognized in the statement of comprehensive income on the date that the Group's right to receive payment is established.

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

. 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

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. 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.

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. Advances are required to be made three times a year. The tax return is filed 31 March and when the actual tax is calculated, the resulting underpayment is made or overpayment is received.

(v) Standards and interpretations adopted during the year

The following new and revised standards and interpretations have been adopted during 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.

IFRS 8 *Operating Segments*

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 5)

IAS 1 (revised 2007) *Presentation of Financial Statements*

IAS 1 (2007) has introduced a number of changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a fourth balance sheet at 1 January 2007 because the entity has applied certain changes in accounting policies retrospectively.

IAS 23 (revised 2007) *Borrowing Costs*

The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements.

In addition the Group has early adopted the *Improvement to IFRSs 2009*.

3 Significant accounting policies, continued

(w) Standards and interpretations in issue not yet adopted

At the date of authorization of these unconsolidated financial statements the following interpretations and standards were in issue but not yet effective:

- IFRS 1 (as revised in 2008) *First-time Adoption of International Financial Reporting Standards* (effective for reporting periods beginning on or after 1 July 2009);
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* additional exemptions for first-time relating to oil and gas assets and arrangements containing leases (effective for reporting periods beginning on or after 1 January 2010);
- Amendments to IFRS 2 *Share-based Payments* relating to group cash-settled share-based payment transactions (effective for reporting periods beginning on or after 1 January 2010);
- IFRS 3 (as revised in 2008) *Business Combinations* (effective for reporting periods beginning on or after July 1, 2009);
- Amendments to IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* (effective for reporting periods beginning on or after 1 January 2010);
- IFRS 9 *Financial Instruments* (effective for reporting periods beginning on or after 1 January 2013);
- Amendments to IAS 7 *Statement of Cash Flows* (effective for reporting periods beginning on or after 1 January 2010);
- IAS 24 (revised) *Related Party Disclosures* (effective for reporting periods beginning on or after 1 January 2011);
- IAS 27 (as revised in 2008) *Consolidated and Separate Financial Statements* as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- IAS 28 (as revised in 2008) *Investments in Associates* as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- IAS 31 *Interests in Joint Ventures* as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- Amendment to IAS 32 *Financial Instruments: Presentation* relating to classification of rights issues (effective for reporting periods beginning on or after 1 February 2010);
- Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction relating to voluntary prepaid contributions* (effective for reporting periods beginning on or after 1 February 2011)
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for reporting periods beginning on or after 1 July 2009);
- IFRIC 18 *Transfers of Assets from Customers* (effective for reporting periods beginning on or after 1 July 2009); and
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for reporting periods beginning on or after 1 July 2010).

3 Significant accounting policies, continued

(w) Standards and interpretations in issue not yet adopted, continued

Improvements to IFRSs (April 2009) – in April 2009, within the annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to 12 existing standards. These improvements are intended to deal with non-urgent, minor amendments to standards. The new version of the above standards and interpretations is effective for reporting periods starting on or after 1 July 2009 and 1 January 2010.

Management of the Group anticipates that all of the above standards and interpretations will be adopted in the Group's consolidated financial statements for the period commencing 1 January 2010 and that the adoption of those standards and interpretations will not have a material impact on the consolidated financial statements of the Group in the period of initial application.

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. 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.

(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

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which we have determined is our chief executive, in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

Products and services from which reportable segments derive their revenues

The Group's reportable segments under IFRS 8 are therefore as follows:

- | | | |
|-----------------------------|---|---|
| Uranium oxide production | - | The production of uranium ore, processing and sales of uranium oxide. |
| Enriched uranium production | - | The manufacture and sale of enriched uranium products as well as research and development activities. |
| Beryllium production | - | The manufacture and sale of beryllium products as well as research and development activities. |
| Tantalum production | - | 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 operations | - | 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.

Included in revenues arising from sale of uranium oxide are revenues of approximately KZT 25,786,234 thousand (2008: KZT 17,355,196 thousand; 2007: KZT 23,483,531 thousand) which arose from sales to the Group's largest customer.

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 purposes of resource allocation and assessment of segment performance.

5 Segment information, continued

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2007:

Year ended 31 December 2007	Uranium oxide '000 KZT	Enriched uranium '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue								
External sales	69,987,323	8,679,377	4,854,094	2,731,279	17,970,577	13,535,639	-	117,758,289
Inter-segment sales	-	1,077,294	-	-	-	10,557,297	(11,634,591)	-
Total revenue	69,987,323	9,756,671	4,854,094	2,731,279	17,970,577	24,092,936	(11,634,591)	117,758,289
Result								
Segment result	44,304,549	6,292,806	821,134	378,619	3,609,101	4,056,915	(2,918,596)	56,544,528
Distribution expenses								(1,494,101)
Administrative expenses								(11,989,385)
Financial income								3,444,144
Financial expense								(4,261,617)
Profit on disposal of investments								1,462,925
Share of profit from associates and jointly controlled entities								8,810,384
Other income								1,274,269
Other expense								(2,172,694)
Profit before income tax								51,618,453

5 Segment information, continued

Segment revenues and results, continued

The following is an analysis of the Group's revenue and results by reportable segment in 2008:

Year ended 31 December 2008	Uranium oxide '000 KZT	Enriched uranium '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '000 KZT
Revenue								
External sales	70,688,423	3,096,727	5,032,396	5,072,023	20,044,753	23,170,576	-	127,104,898
Inter-segment sales	-	1,685,221	-	-	-	11,834,922	(13,520,143)	-
Total revenue	<u>70,688,423</u>	<u>4,781,948</u>	<u>5,032,396</u>	<u>5,072,023</u>	<u>20,044,753</u>	<u>35,005,498</u>	<u>(13,520,143)</u>	<u>127,104,898</u>
Result								
Segment result	<u>37,096,829</u>	<u>1,831,848</u>	<u>944,844</u>	<u>439,588</u>	<u>1,851,597</u>	<u>6,389,946</u>	<u>(4,144,815)</u>	<u>44,409,837</u>
Distribution expenses								(2,014,923)
Administrative expenses								(12,920,966)
Financial income								2,031,266
Financial expense								(4,339,391)
Loss on disposal of investments								(2,796,207)
Share of profit from associates and jointly controlled entities								5,724,687
Other income								544,782
Other expense								(5,314,367)
Profit before income tax								<u>25,324,718</u>

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5 Segment information, continued

Segment revenues and results, continued

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

Year ended 31 December 2009	Uranium oxide '000 KZT	Enriched uranium '000 KZT	Beryllium '000 KZT	Tantalum '000 KZT	Utilities '000 KZT	Other '000 KZT	Eliminations '000 KZT	Consolidated '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
Result								
Segment result	53,017,642	3,221,450	665,785	853,299	3,043,927	9,051,799	(4,056,623)	65,797,279
Distribution expenses								(1,824,124)
Administrative expenses								(8,984,719)
Financial income								3,111,251
Financial expense								(17,487,997)
Share of profit from 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

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.

Segment assets

	2009 000'KZT	2008 000'KZT	2007 000'KZT
Uranium oxide	177,354,452	139,776,475	90,533,946
Enriched uranium	26,731,511	20,558,196	32,318,589
Beryllium	5,524,667	10,603,657	4,217,180
Tantalum	7,080,654	4,933,344	1,944,511
Utilities	20,147,353	19,004,945	17,549,505
Other	18,046,070	20,902,726	11,260,395
Eliminations	(37,189,229)	(25,906,429)	(14,586,121)
Total segment assets	217,695,478	189,872,914	143,238,005
Unallocated assets	169,557,218	151,796,844	104,811,944
Consolidated assets	387,252,696	341,669,758	248,049,949

Segment liabilities

	2009 000'KZT	2008 000'KZT	2007 000'KZT
Uranium oxide	102,418,002	73,594,222	23,909,645
Enriched uranium	1,077,898	1,098,668	2,237,519
Beryllium	222,772	566,679	291,969
Tantalum	285,514	263,647	134,625
Utilities	6,035,793	5,445,515	2,329,517
Other	1,731,497	2,333,048	1,886,821
Eliminations	(31,718,885)	(14,315,710)	(9,380,232)
Total segment liabilities	80,052,591	68,986,069	21,409,864
Unallocated liabilities	62,965,841	69,916,958	39,804,701
Consolidated liabilities	143,018,432	138,903,027	61,214,565

5 Segment information, continued

Geographical information

The Group's revenue from external customers by geographical location is detailed below:

	Revenue from external customers		
	2009 000'KZT	2008 000'KZT	2007 000'KZT
Kazakhstan	50,385,786	42,815,397	31,025,834
China	67,905,075	18,921,711	13,484,458
Japan	19,538,652	22,592,092	13,934,395
USA	18,296,373	22,874,700	28,394,619
South Korea	8,734,249	10,509,894	13,041,654
France	4,348,183	1,610,208	1,760,096
Argentina	3,050,750	-	-
Russia	3,045,570	3,383,874	3,459,338
Austria	1,302,867	-	-
Belgium	1,161,849	1,275,244	1,997,654
Germany	706,828	1,802,847	5,025,430
UK	-	-	5,183,072
Switzerland	-	1,118,428	-
Other	30,636	200,503	451,739
	178,506,818	127,104,898	117,758,289

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.

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		
	2009 000'KZT	2008 000'KZT	2007 000'KZT
Uranium oxide	6,184,352	4,618,608	3,992,461
Enriched uranium	788,096	565,180	810,448
Beryllium	162,878	291,512	105,753
Tantalum	208,751	135,626	48,762
Electricity and heating	1,801,224	1,495,722	1,201,069
Other	948,151	944,995	519,994
	10,093,452	8,051,643	6,678,487

5 Segment information, continued

The portion of the above reported depreciation and amortization through cost of sales is detailed below:

	Depreciation and amortization		
	2009	2008	2007
	000'KZT	000'KZT	000'KZT
Uranium oxide	5,013,318	4,127,084	3,441,107
Enriched uranium	448,811	313,239	420,860
Beryllium	92,757	161,565	54,917
Tantalum	118,881	75,168	25,322
Electricity and heating	1,009,916	869,025	821,395
Other	751,438	698,280	415,386
Eliminations	(1,158,046)	(368,132)	(599,119)
	6,277,075	5,876,229	4,579,868

	Additions to non-current assets		
	2009	2008	2007
	000'KZT	000'KZT	000'KZT
Uranium oxide	17,249,627	19,489,219	19,449,525
Enriched uranium	2,554,200	3,242,855	3,607,993
Beryllium	527,883	1,672,624	470,799
Tantalum	676,558	778,187	217,082
Electricity and heating	2,507,395	2,852,657	3,764,670
Other	1,513,414	3,751,901	3,532,916
	25,029,077	31,787,443	31,042,985

In addition to the depreciation and amortisation reported above, impairment losses of KZT 223,436 thousand (2008: KZT 45,907 thousand; 2007: KZT 289,895 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		
	2009	2008	2007
	000'KZT	000'KZT	000'KZT
Uranium oxide	45,624	17,217	267,030
Enriched uranium	61	12,982	40,450
Beryllium	13	6,696	5,278
Tantalum	16	3,115	2,434
Electricity and heating	-	-	(27,722)
Other	177,722	5,897	2,425
	223,436	45,907	289,895

6 Disposal of investments and non-controlling interest

(a) Change in ownership interests

Disposal of 50% investment in Karatau LLP

On 22 June 2007, the Group disposed of 50% of its 100% investment in Karatau LLP. The subsidiary contributed KZT 1,427,818 thousand to the net profit for the year 2007, including a gain on disposal of KZT 1,462,925 thousand. The gain on disposal is net of non-recoverable VAT in the amount of KZT 264,532 thousand that arose upon disposal of Karatau as the Group applies the proportional method for VAT recovery as required by the Tax Code of the Republic of Kazakhstan.

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

	22 June 2007 '000 KZT
Net assets previously controlled	3,191,598
Net assets sold	(1,595,779)
Consideration received in cash and cash equivalents	3,059,000
Write off non-recoverable VAT of Karatu	(264,532)
Cash and cash equivalents disposed	(162,669)
Equity interest retained	1,595,779
Gain on disposal	2,631,799

At 31 December 2007, the receivable due from the disposal of the investment in the amount of KZT 3,059,000 thousand was paid in full.

The remaining 50% interest in the carrying amounts of Karatau LLP is accounted for as an investment in jointly-controlled entities.

Reduced interest in SKZ-U LLC

At 31 December 2008, the Group's share in SKZ-U Limited Liability Company (SKZ-U LLC) was 97.72%. On 20 February 2009, the shareholders agreed to increase the charter capital of SKZ-U LLC which led to a decrease in the Group's share in SKZ-U LLC to 49% as the Group did not contribute further amounts of capital. Thus, effective 20 February 2009 the method of accounting for SKZ-U LLC was changed from the full consolidation method to the equity method.

The book values of SKZ-U LLC assets and liabilities as at 20 February 2009 were as follows:

	20 February 2009 '000 KZT
97.72% share of net assets prior to disposal	1,376,653
Non-controlling interest	41,600
Total net assets	1,418,253

6 Disposal of investments and non-controlling interest, continued

(a) Change in ownership interests, continued

The disposal of the subsidiary had the following effect on the Group's assets and liabilities at the date of disposal:

Increase of the Group's share of net assets resulting from increase of charter capital of the former subsidiary	1,559,500
Net assets previously controlled	(1,376,653)
Gain on disposal of investment	182,847

In addition cash and cash equivalents of KZT 132,875 thousand were derecognized as part of this transaction.

Reduced interest in "JV SKZ Kazatomprom" LLP

On 20 November 2009, charter capital of "JV SKZ Kazatomprom" LLP was increased but the Group did not contribute further amounts of capital which led to a decrease in the Group's share in "JV SKZ Kazatomprom" LLP from 50% to 24.5%.

Disposal of 49% investment in "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") for a cash consideration of US\$ 234 million (or KZT 28,274 million), being the present value of future cash outflows. The Group retains a 51% ownership interest in Semizbay.

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 based on contractually agreed amounts. The payments of these distributions are guaranteed by JSC National Atomic Company Kazatomprom. This represents a financial liability of the Group which has been measured at fair value on the date of its initial recognition.

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 Guangdong 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 plants, within two years from the date of the Agreement.

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 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.

Under Kazakhstan tax law this transaction is treated as a sale of an interest in a subsidiary with consideration received of KZT 28,274 million and a cost of disposal of 2,964 million tenge. The gain on disposal for tax purposes amounted to KZT 25,310 million.

6 Disposal of investments and non-controlling interest

(b) Disposal of subsidiaries

In 2008 the Group disposed of its investment in Taukent-Energoservice LLC, Shieli-Energoservice LLC and MSCh-2 LLC, and accordingly, those entities are no longer classified as subsidiaries.

At disposal dates, the net assets of Taukent-Energoservice LLC, Shieli-Energoservice LLC and MSCh-2 LLC were KZT 309,749, KZT (31,230) and KZT 2,504, respectively. The disposal of these subsidiaries did not have a significant effect on the Group's assets and liabilities or the net profit for the year.

7 Changes in previously issued financial statements

(a) Prior year error

As disclosed in Note 6, in 2008 the Group partially disposed of its interest in Semizbay. In the previously issued 2008 financial statements, a gain on disposal of this investment of KZT 25,309,617 thousand was recognized.

The gain was recognized in error and the Group did not record a financial liability of KZT 28,273,845 resulting from that transaction. As a consequence of recording the financial liability the gain was reversed and a loss was recorded instead.

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the correction of the above errors was applied retrospectively.

(b) Reclassification

In 2009, the Group reclassified certain current assets from trade receivables to advances paid and other receivables in the consolidated statement of financial position for consistency with other periods and separated foreign exchange losses from financial expenses in the consolidated statement of comprehensive income as it is believed that these changes better reflects the nature of these assets and provides better information about the Group's financial performance.

In addition, during the period reserve capital was aggregated with retained earnings. Reserve capital represented minimum required fund for the purpose of unexpected losses settlements but is no longer required by law. Reserve capital comprised at least 15% of the share capital of a company as stipulated by the Law on joint stock companies.

(c) Change in accounting policy and error correction

The method of accounting for jointly controlled entities was changed in 2009 from the proportional consolidation method to the equity method due to change in accounting policy by the sole shareholder who consolidates the Group. Therefore, 2008 and 2007 figures have been amended retrospectively in the consolidated financial statements for the year ended 31 December 2009. In addition, the Group determined that it had not properly eliminated unrealized profit in previous periods. The correction of this error had an effect on profit for the year of KZT 118,295 thousand for 2008 and KZT 162,666 thousand for 2007. The correction of this error is included in the joint venture accounting column.

7 Changes in previously issued financial statements, continued

(d) Effect of changes

These amendments had the following effects on the prior years' financial statements (all stated in '000 KZT):

	01.01.2007 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	01.01.2007 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>				
ASSETS				
Non-current assets				
Property, plant and equipment	40,535,484	(9,649)	-	40,525,835
Mine development assets	6,215,893	-	-	6,215,893
Intangible assets	85,484	(1)	-	85,483
Mineral rights	1,469,591	-	-	1,469,591
Exploration and evaluation assets	2,497,472	(160,794)	-	2,336,678
Investments in associates	2,523,415	-	-	2,523,415
Investments in jointly controlled entities	-	68,173	-	68,173
Other investments	439,192	-	-	439,192
Advances paid and other receivables	3,692,074	(426,432)	-	3,265,642
Inventories	9,655,040	-	-	9,655,040
Term deposits	-	424,532	-	424,532
Deferred tax assets	1,280,513	(548)	-	1,279,965
Total non-current assets	68,394,158	(104,719)	-	68,289,439
Current assets				
Inventories	17,760,381	(2,822)	-	17,757,559
Other investments	314,398	-	-	314,398
Prepaid income tax	326,448	-	-	326,448
Trade receivables	86,356,837	(4,082,050)	(68,580,000)	13,694,787
Advances paid and other receivables	-	4,072,549	68,580,000	72,652,549
Term deposits	4,419,603	-	-	4,419,603
Cash and cash equivalents	26,522,490	(32,602)	-	26,489,888
Total current assets	135,700,157	(44,925)	-	135,655,232
Total assets	204,094,315	(149,644)	-	203,944,671

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	01.01.2007 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	01.01.2007 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>				
EQUITY AND LIABILITIES				
Equity				
Share capital	7,980,715	-	-	7,980,715
Additional paid-in capital	2,736,191	-	-	2,736,191
Foreign currency translation reserve	(1,230,315)	(2,321)	-	(1,232,636)
Retained earnings	107,926,454	5,636	506,000	108,438,090
Reserve capital	506,000	-	(506,000)	-
Total equity attributable to the Owner of the Company	117,919,045	3,315	-	117,922,360
Non-controlling interest	4,678,258	-	-	4,678,258
Total equity	122,597,303	3,315	-	122,600,618
Non-current liabilities				
Loans and borrowings	14,700,600	(272,045)	-	14,428,555
Provisions	4,574,334	(9,652)	-	4,564,682
Trade payables	235,242	(16,351)	-	218,891
Advances received and other payables	-	17,121	-	17,121
Preference shares	-	271,275	-	271,275
Grants	394,040	-	-	394,040
Deferred tax liabilities	886,970	-	-	886,970
Total non-current liabilities	20,791,186	(9,652)	-	20,781,534
Current liabilities				
Loans and borrowings	16,204,274	(53,043)	-	16,151,231
Provisions	280,135	(7,946)	-	272,189
Trade payables	14,932,654	(3,720,747)	-	11,211,907
Advances received and other payables	19,878,236	3,583,649	-	23,461,885
Accrued liabilities	9,410,527	(3,485)	-	9,407,042
Grants	-	58,265	-	58,265
Total current liabilities	60,705,826	(143,307)	-	60,562,519
Total liabilities	81,497,012	(152,959)	-	81,344,053
Total equity and liabilities	204,094,315	(149,644)	-	203,944,671

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	2007 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	2007 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of comprehensive income</i>				
Revenue	118,050,459	(292,170)	-	117,758,289
Cost of sales	(61,632,604)	418,843	-	(61,213,761)
Gross profit	56,417,855	126,673	-	56,544,528
Distribution expenses	(1,494,101)	-	-	(1,494,101)
Administrative expenses	(12,079,435)	90,050	-	(11,989,385)
Financial income	3,444,935	(791)	-	3,444,144
Financial expense	(4,267,608)	5,991	1,708,676	(2,552,941)
Foreign exchange losses	-	-	(1,708,676)	(1,708,676)
Gain on disposal of investments	1,462,925	-	-	1,462,925
Share of results of associates	8,880,688	-	-	8,880,688
Share of results of jointly controlled entities	-	(70,304)	-	(70,304)
Other income	1,274,224	45	-	1,274,269
Other expense	(2,176,669)	3,975	-	(2,172,694)
Profit before income tax	51,462,814	155,639	-	51,618,453
Income tax expense	(15,622,298)	7,027	-	(15,615,271)
Profit for the year	35,840,516	162,666	-	36,003,182
Other comprehensive income:				
Exchange differences arising on translation of foreign operations	(1,823,169)	(1,146)	-	(1,824,315)
Other comprehensive income/(loss) for the year, net of tax	(1,823,169)	(1,146)	-	(1,824,315)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	34,017,347	161,520	-	34,178,867
Profit for the year attributable to:				
Owners of the Company	35,453,103	162,666	-	35,615,769
Non-controlling interests	387,413	-	-	387,413
	35,840,516	162,666	-	36,003,182
Total comprehensive income for the year attributable to:				
Owners of the Company	33,629,934	161,520	-	33,791,454
Non-controlling interests	387,413	-	-	387,413
	34,017,347	161,520	-	34,178,867

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	31.12.2007 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	31.12.2007 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>				
ASSETS				
Non-current assets				
Property, plant and equipment	58,959,450	(1,188,044)	-	57,771,406
Mine development assets	7,007,521	162,664	-	7,170,185
Intangible assets	167,325	(1,202)	-	166,123
Mineral rights	1,651,406	-	-	1,651,406
Exploration and evaluation assets	6,065,121	(2,722,824)	-	3,342,297
Investments in associates	14,859,979	(212,956)	-	14,647,023
Investments in jointly controlled entities	-	2,760,807	-	2,760,807
Other investments	65,313,083	-	-	65,313,083
Advances paid and other receivables	5,637,096	(235,182)	-	5,401,914
Inventories	9,968,853	-	-	9,968,853
Term deposits	400,217	(13,690)	-	386,527
Deferred tax assets	1,135,884	(52,107)	-	1,083,777
Total non-current assets	171,165,935	(1,502,534)	-	169,663,401
Current assets				
Inventories	21,820,071	(119,571)	-	21,700,500
Other investments	1,942,559	-	-	1,942,559
Prepaid income tax	5,055,735	(29,046)	-	5,026,689
Trade receivables	25,355,947	(18,255)	-	25,337,692
Advances paid and other receivables	11,247,477	(248,613)	-	10,998,864
Term deposits	3,092,484	-	-	3,092,484
Cash and cash equivalents	10,833,236	(545,476)	-	10,287,760
Total current assets	79,347,509	(960,961)	-	78,386,548
Total assets	250,513,444	(2,463,495)	-	248,049,949

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	31.12.2007 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	31.12.2007 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>				
EQUITY AND LIABILITIES				
Equity				
Share capital	36,692,362	-	-	36,692,362
Additional paid-in capital	4,187,732	-	-	4,187,732
Foreign currency translation reserve	(3,053,484)	(3,467)	-	(3,056,951)
Retained earnings	142,988,817	168,302	506,000	143,663,119
Reserve capital	506,000	-	(506,000)	-
Total equity attributable to the				
Owner of the Company	181,321,427	164,835	-	181,486,262
Non-controlling interest	5,349,122	-	-	5,349,122
Total equity	186,670,549	164,835	-	186,835,384
Non-current liabilities				
Loans and borrowings	20,265,040	-	-	20,265,040
Provisions	3,708,989	(88,001)	-	3,620,988
Trade payables	207,343	-	-	207,343
Advances received and other payables	24,158	-	-	24,158
Preference shares	271,275	-	-	271,275
Grants	353,619	-	-	353,619
Deferred tax liabilities	1,353,187	-	-	1,353,187
Total non-current liabilities	26,183,611	(88,001)	-	26,095,610
Current liabilities				
Loans and borrowings	17,500,641	-	-	17,500,641
Provisions	269,806	(32,235)	-	237,571
Trade payables	12,585,972	(2,831,117)	-	9,754,855
Advances received and other payables	4,499,570	348,340	-	4,847,910
Accrued liabilities	2,692,385	(25,317)	-	2,667,068
Grants	110,910	-	-	110,910
Total current liabilities	37,659,284	(2,540,329)	-	35,118,955
Total liabilities	63,842,895	(2,628,330)	-	61,214,565
Total equity and liabilities	250,513,444	(2,463,495)	-	248,049,949

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	2008 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	Restatement '000 KZT	2008 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of comprehensive income</i>					
Revenue	126,176,451	928,447	-	-	127,104,898
Cost of sales	(80,486,891)	(2,208,170)	-	-	(82,695,061)
Gross profit	45,689,560	(1,279,723)	-	-	44,409,837
Distribution expenses	(2,018,745)	3,822	-	-	(2,014,923)
Administrative expenses	(13,329,472)	408,506	-	-	(12,920,966)
Financial income	2,035,845	(4,579)	-	-	2,031,266
Financial expense	(4,421,420)	82,029	239,961	-	(4,099,430)
Foreign exchange losses	-	-	(239,961)	-	(239,961)
Profit / (loss) on disposal of investments	25,477,638	-	-	(28,273,845)	(2,796,207)
Share of results of associates	5,164,270	-	-	-	5,164,270
Share of results of jointly controlled entities	-	560,417	-	-	560,417
Other income	546,608	(1,826)	-	-	544,782
Other expense	(5,344,729)	30,362	-	-	(5,314,367)
Profit before income tax	53,799,555	(200,992)	-	(28,273,845)	25,324,718
Income tax expense	(14,598,747)	319,287	-	-	(14,279,460)
Profit for the year	39,200,808	118,295	-	(28,273,845)	11,045,258
Other comprehensive income:					
Exchange differences arising on translation of foreign operations	1,311,200	131,090	-	-	1,442,290
Other comprehensive income/(loss) for the year, net of tax	1,311,200	131,090	-	-	1,442,290
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	40,512,008	249,385	-	(28,273,845)	12,487,548
Profit for the year attributable to:					
Owners of the Company	39,275,540	118,295	-	(28,273,845)	11,119,990
Non-controlling interests	(74,732)	-	-	-	(74,732)
	39,200,808	118,295	-	(28,273,845)	11,045,258
Total comprehensive income for the year attributable to:					
Owners of the Company	40,586,740	249,385	-	(28,273,845)	12,562,280
Non-controlling interests	(74,732)	-	-	-	(74,732)
	40,512,008	249,385	-	(28,273,845)	12,487,548

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	31.12.2008 (as previously reported) '000 KZT	Joint venture accounting '000 KZT	Reclassification '000 KZT	Restatement '000 KZT	31.12.2008 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>					
ASSETS					
Non-current assets					
Property, plant and equipment	77,563,291	(2,826,902)	-	-	74,736,389
Mine development assets	15,444,981	(2,139,860)	-	-	13,305,121
Investment property	473,037	-	-	-	473,037
Intangible assets	191,363	(6,823)	-	-	184,540
Mineral rights	2,728,068	(77,883)	-	-	2,650,185
Exploration and evaluation assets	1,488,624	(1,049,791)	-	-	438,833
Investments in associates	18,943,910	(212,540)	-	-	18,731,370
Investments in jointly controlled entities	-	4,327,160	-	-	4,327,160
Other investments	66,045,647	-	-	-	66,045,647
Advances paid and other receivables	8,292,448	(985,425)	-	-	7,307,023
Inventories	9,148,251	-	-	-	9,148,251
Term deposits	904,871	(29,759)	-	-	875,112
Deferred tax assets	2,913,033	(35,357)	-	-	2,877,676
Total non-current assets	204,137,524	(3,037,180)	-	-	201,100,344
Current assets					
Inventories	35,399,699	(952,432)	-	-	34,447,267
Other investments	23,040,294	(386,881)	-	-	22,653,413
Prepaid income tax	2,185,177	(210,975)	-	-	1,974,202
Trade receivables	30,655,823	(132,836)	(4,942,975)	-	25,580,012
Advances paid and other receivables	14,009,920	2,785,796	4,942,975	-	21,738,691
Term deposits	15,201	-	-	-	15,201
Cash and cash equivalents	34,446,490	(285,862)	-	-	34,160,628
Total current assets	139,752,604	816,810	-	-	140,569,414
Total assets	343,890,128	(2,220,370)	-	-	341,669,758

7 Changes in previously issued financial statements, continued

(d) Effect of changes, continued

	31.12.2008 (as previously reported '000 KZT)	Joint venture accounting '000 KZT	Reclassification '000 KZT	Restatement '000 KZT	31.12.2008 (as restated) '000 KZT
<i>Adjustments to the consolidated statement of financial position</i>					
EQUITY AND LIABILITIES					
Equity					
Share capital	36,692,362	-	-	-	36,692,362
Additional paid-in capital	5,645,881	(72,074)	-	-	5,573,807
Reserve capital	506,000	-	(506,000)	-	-
Foreign currency translation reserve	(1,742,284)	127,623	-	-	(1,614,661)
Retained earnings	181,223,756	286,597	506,000	(28,273,845)	153,742,508
Total equity attributable to Owners of the Company	222,325,715	342,146	-	(28,273,845)	194,394,016
Non-controlling interest	8,372,300	415	-	-	8,372,715
Total equity	230,698,015	342,561	-	(28,273,845)	202,766,731
Non-current liabilities					
Loans and borrowings	35,671,281	-	-	-	35,671,281
Other financial liabilities	-	-	-	28,273,845	28,273,845
Provisions	4,539,371	(101,560)	-	-	4,437,811
Trade payables	208,153	-	-	-	208,153
Advances received and other payables	47,539	(884)	-	-	46,655
Preference shares	264,827	-	-	-	264,827
Grants	334,552	-	-	-	334,552
Deferred tax liabilities	584,485	-	-	-	584,485
Total non-current liabilities	41,650,208	(102,444)	-	28,273,845	69,821,609
Current liabilities					
Loans and borrowings	34,839,881	(2,031,354)	-	-	32,808,527
Provisions	471,279	(21,263)	-	-	450,016
Trade payables	6,795,321	(342,991)	-	-	6,452,330
Advances received and other payables	23,455,460	(33,897)	-	-	23,421,563
Accrued liabilities	5,904,027	(30,982)	-	-	5,873,045
Grants	75,937	-	-	-	75,937
Total current liabilities	71,541,905	(2,460,487)	-	-	69,081,418
Total liabilities	113,192,113	(2,562,931)	-	28,273,845	138,903,027
Total equity and liabilities	343,890,128	(2,220,370)	-	-	341,669,758

8 Revenue

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Revenue from sale of uranium products	116,643,356	73,785,150	78,666,700
Revenue from sale of utilities	24,717,000	20,044,753	17,970,577
Revenue from processing services provided	6,415,459	7,938,959	5,176,087
Revenue from drilling of wells	8,718,343	6,709,380	3,697,271
Revenue from sale of purchased goods	9,604,652	6,309,727	3,068,092
Revenue from sale of tantalum products	4,811,288	5,072,023	2,731,279
Revenue from sale of beryllium products	2,951,628	5,032,396	4,854,094
Revenue from transportation services	3,033,515	1,501,390	865,873
Revenue from research and development	210,532	345,969	389,993
Other	1,401,045	365,151	338,323
	178,506,818	127,104,898	117,758,289

9 Cost of sales

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Materials and supplies	72,677,910	53,046,671	39,034,149
Wages and salaries	10,846,994	10,872,621	7,663,865
Depreciation and amortization	6,277,075	5,876,229	4,579,868
Processing and other services	7,952,290	3,538,055	2,377,590
Maintenance and repairs	4,567,376	3,424,506	3,549,308
Taxes other than on income	5,217,999	1,557,067	1,333,414
Utilities	1,630,933	1,463,157	605,017
Transportation expenses	337,654	450,783	397,292
Rent expenses	493,705	367,652	405,253
Research and development	75,472	30,096	25,525
Other	2,632,131	2,068,224	1,242,480
	112,709,539	82,695,061	61,213,761

10 Distribution expenses

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Shipping, transportation and storage	642,279	860,855	549,013
Wages and salaries	363,239	323,413	253,904
Commissions	238,286	260,902	83,572
Materials and supplies	174,240	163,128	161,114
Cargo insurance	43,697	70,031	38,968
Advertising and marketing expenses	42,025	77,360	90,612
Depreciation	54,749	52,242	23,440
Rent	62,105	43,859	26,804
Taxes other than on income	34,685	30,359	33,030
Travel	22,867	19,812	12,371
Custom duties	36,062	5,048	6,001
Other	109,890	107,914	215,272
	1,824,124	2,014,923	1,494,101

11 Administrative expenses

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Wages and salaries	6,614,293	7,432,540	5,699,455
Taxes other than on income	1,003,186	1,002,788	1,104,467
Bonus pay (reversal) / accrual	(2,125,965)	755,860	1,554,072
Depreciation	491,494	507,383	363,544
Consulting, auditing and information services	408,605	483,533	312,065
Maintenance and repairs	387,287	421,911	291,968
Travel	224,760	343,336	313,573
Materials and supplies	241,123	331,403	212,531
Rent	306,936	247,468	190,527
Training expenses	219,850	272,715	197,067
Corporate events	96,706	232,528	120,164
Bank charges	165,348	160,569	154,655
Communication	110,721	113,707	87,294
Research expenses	244,475	109,884	100,241
Entertainment expenses	55,132	91,781	80,788
Stationery	78,780	85,957	64,739
Utilities	77,745	62,430	42,996
Insurance	24,926	36,029	70,751
Security	27,152	21,267	81,769
Other	332,165	207,877	946,719
	8,984,719	12,920,966	11,989,385

12 Financial income and expense

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
<i>Financial income</i>			
Interest income on investment portfolio	258,743	833,088	65,160
Dividend income	-	721,433	-
Interest income on term deposits and deposits on demand, and current accounts	2,830,326	426,994	3,326,331
Other financial income	22,182	49,751	52,653
	<u>3,111,251</u>	<u>2,031,266</u>	<u>3,444,144</u>
<i>Financial expense</i>			
Interest expense	6,652,427	3,244,861	1,723,452
Unwinding of discounts on provisions	330,218	545,111	383,919
Bank expenses	276,208	69,089	-
Loss on sale of foreign currency	149,214	95,171	187,358
Preference shares dividend expense	52,965	52,965	52,965
Commission on investment portfolio management	4,291	39,139	5,191
Other financial expenses	368,969	53,094	200,056
	<u>7,834,292</u>	<u>4,099,430</u>	<u>2,552,941</u>
Net financial expense recognized in the statement of comprehensive income	<u>4,723,041</u>	<u>2,068,164</u>	<u>(891,203)</u>

13 Other income

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Management fee	-	153,557	-
Gain on sale of non-current assets	192,991	117,944	16,278
Interest on trade receivables	400,854	-	29,901
Write-off of liabilities	3,003	42,745	8,047
Reversal of provision	-	-	779,379
Assessed value of assets contributed to the charter capital	-	-	159,361
Other	268,662	230,536	281,303
	<u>865,510</u>	<u>544,782</u>	<u>1,274,269</u>

14 Other expense

	2009 <u>'000 KZT</u>	2008 <u>'000 KZT</u>	2007 <u>'000 KZT</u>
Unrecoverable value added tax ("VAT")	301,483	1,749,413	501,725
Sponsorship and charity	1,234,125	1,537,652	701,174
Social sphere expenses	1,421,856	1,278,466	199,474
Bad debt expense	95,346	244,816	145,088
Loss on disposal and impairment of non-current assets	247,791	253,431	289,971
Loss on suspension of production	414,611	38,636	43,460
Other	538,908	211,953	291,802
	<u>4,254,120</u>	<u>5,314,367</u>	<u>2,172,694</u>

15 Personnel costs

	2009 <u>'000 KZT</u>	2008 <u>'000 KZT</u>	2007 <u>'000 KZT</u>
Wages and salaries	25,441,152	24,490,142	19,694,169
Social tax and social payments	2,309,530	2,085,565	2,400,409
	<u>27,750,682</u>	<u>26,575,707</u>	<u>22,094,578</u>

16 Income tax expense

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Current tax expense			
Current year	10,606,342	16,681,229	14,919,981
Under provided in prior years	152,118	46,777	16,971
Excess profit tax	-	34,309	21,521
	10,758,460	16,762,315	14,958,473
Deferred tax expense/(benefit)			
Origination and reversal of temporary differences	1,853,983	(2,482,855)	656,798
	12,612,443	14,279,460	15,615,271

In December 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 30% to 20% effective from January 1, 2009, to 17.5% effective from January 1, 2010 and to 15% effective from January 1, 2011. In November 2009, an amendment to the corporate income tax rate reducing schedule was enacted to apply the corporate income tax rate to 17.5% effective from January 1, 2013 and 15% effective from January 1, 2014. These changes reduced the Group's income tax expense by KZT 238,192 thousand in 2009 and KZT 762,778 thousand in 2008. The Group's applicable tax rate is the income tax rate of 20% for Kazakhstan companies (2008: 30%, 2007: 30%). These rates have been used in the calculation of deferred tax assets and liabilities depending on future periods when the respective temporary differences are estimated to be deductible or taxable.

Reconciliation of effective tax rate:

	2009		2008		2007	
	'000 KZT	%	'000 KZT	%	'000 KZT	%
Profit before income tax	54,072,176	100	25,324,718	100	51,618,453	100
Income tax at applicable tax rate	10,814,435	20.00	7,597,415	30.00	15,485,536	30.00
Tax effects of:						
Change in tax rate	(238,192)	(0.44)	(762,778)	(3.01)	-	-
Non-taxable income	(697,167)	(1.29)	(1,543,137)	(6.09)	(160,043)	(0.31)
Non-deductible expenses	4,270,837	7.90	9,691,127	38.27	1,243,539	2.41
Transfer pricing adjustments	1,955,949	3.62	-	-	-	-
Elimination of margin in finished goods	(780,446)	(1.44)	(125,878)	(0.50)	1,776,643	3.44
Share of results of associates	(2,700,641)	(4.99)	(917,032)	(3.62)	(2,664,206)	(5.16)
Share of results of jointly controlled entities	(669,178)	(1.24)	(109,826)	(0.43)	21,091	0.04
Utilization of tax losses not recognized in prior periods	(302,737)	(0.56)	(84,585)	0.69	(174,260)	(0.34)
Current year losses for which no deferred tax asset is recognized	807,465	1.49	453,068	0.76	48,479	0.09
Excess profit tax	-	-	34,309	0.14	21,521	0.04
Under provided in prior years	152,118	0.28	46,777	0.18	16,971	0.03
	12,612,443	23.33	14,279,460	56.39	15,615,271	30.25

A new transfer pricing law was enacted and took effect on 1 January 2009. As before, the new law primarily applies to cross-border transactions involving sales of goods and services. In addition, the transfer pricing law applies to in-country sales and purchases of goods and services, if these transactions are determined to be effected not at arm's length.

16 Income tax expense, continued

Also, the new law eliminated the 10% price safe harbor that existed under the previous transfer price law (except for sales of agricultural production). Accordingly, the tax authorities are now entitled to review prices charged in any transaction, where the contractual price deviates from the arm's length price by any percentage. Based on this change in tax law we believe a review of our transfer pricing is likely and based on the elimination of the safe harbor provision it is probable that the tax authorities will assess further taxes. As a result, additional taxes have been paid.

17 Earnings per share

Basic and diluted earnings per share

	2009 KZT	2008 KZT	2007 KZT
Basic and diluted earnings per share	1,109	303	1,595

The Group has not 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.

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Profit for the year attributable to owners of the Company	40,683,975	11,119,990	35,615,769
Earnings used in the calculation of the total basic and diluted earnings per share	40,683,975	11,119,990	35,615,769
	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Weighted average number of ordinary shares for the purpose of basic earnings per share	36,692,361	36,692,361	22,336,538

Impact of changes in accounting policies and correction of an error

Changes in the Group's accounting policies during the year and the correction of an error in previously issued financial statements are described in Note 7. To the extent that those changes have had an impact on results reported for 2008 and 2007, they have had an impact on the amounts reported for earnings per share. The following table summarizes that effect on both basic and diluted earnings per share.

	Effect on profit for the year		Effect on basic and diluted earnings per share	
	2008 KZT'000	2007 KZT'000	2008 KZT per share	2007 KZT per share
Changes in accounting policies relating to:				
- changes in accounting for interests in jointly controlled entities	118,295	162,666	3	7
Correction of an error relating to:				
- Recognition of financial liability	(28,273,845)	-	(771)	-
	(28,155,550)	162,666	(768)	7

18 Property, plant and equipment

'000 KZT Cost	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
At 1 January 2007	59,272	16,178,923	19,386,534	3,555,700	1,014,725	6,088,727	46,283,881
Additions	18,720	356,452	2,005,750	1,382,268	503,444	20,912,745	25,179,379
Transfers		5,465,795	2,574,976	95,720	236,463	(8,372,954)	-
Disposals	(1,640)	(372,619)	(894,194)	(68,324)	(85,198)	(2,083,614)	(3,505,589)
Foreign currency translation difference	(62)	(122,848)	(37,962)	(10,508)	(6,739)	(37,929)	(216,048)
At 31 December 2007	76,290	21,505,703	23,035,104	4,954,856	1,662,695	16,506,975	67,741,623
At 1 January 2008	76,290	21,505,703	23,035,104	4,954,856	1,662,695	16,506,975	67,741,623
Additions	49,106	681,282	3,228,193	1,238,927	365,485	19,141,478	24,704,471
Transfers	(3)	14,039,138	7,913,193	(969,239)	134,797	(21,117,886)	-
Disposals	(12,366)	(1,107,194)	(1,978,009)	(254,056)	(79,580)	(547,526)	(3,978,731)
Foreign currency translation difference	62	155,991	36,658	10,630	8,522	(36,600)	175,263
At 31 December 2008	113,089	35,274,920	32,235,139	4,981,118	2,091,919	13,946,441	88,642,626
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

18 Property, plant and equipment, continued

	Land	Buildings	Plant and equipment	Vehicles	Other	Construction in progress	Total
'000 KZT							
<i>Accumulated depreciation and impairment losses</i>							
At 1 January 2007	-	1,214,637	3,726,207	542,420	199,793	74,989	5,758,046
Depreciation charge	-	1,191,897	2,685,896	425,727	143,068	-	4,446,588
Disposals	-	(66,262)	(345,988)	(42,193)	(34,284)	-	(488,727)
Impairment loss/(reversal)	-	(5,084)	35,440	7,137	830	251,572	289,895
Foreign currency translation difference	-	(26,528)	(6,232)	(1,807)	(1,018)	-	(35,585)
At 31 December 2007	-	2,308,660	6,095,323	931,284	308,389	326,561	9,970,217
At 1 January 2008	-	2,308,660	6,095,323	931,284	308,389	326,561	9,970,217
Depreciation charge	-	1,493,457	3,041,971	521,515	207,627	-	5,264,570
Disposals	-	(293,889)	(806,205)	(270,052)	(39,896)	-	(1,410,042)
Impairment loss/(reversal)	-	(69)	(506)	(84)	2,845	43,721	45,907
Foreign currency translation difference	-	19,366	11,130	3,148	1,941	-	35,585
At 31 December 2008	-	3,527,525	8,341,713	1,185,811	480,906	370,282	13,906,237
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/(reversal)	-	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
<i>Net Book Value</i>							
As at 1 January 2007	59,272	14,964,286	15,660,327	3,013,280	814,932	6,013,738	40,525,835
As at 31 December 2007	76,290	19,197,043	16,939,781	4,023,572	1,354,306	16,180,414	57,771,406
As at 31 December 2008	113,089	31,747,395	23,893,426	3,795,307	1,611,013	13,576,159	74,736,389
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

18 Property, plant and equipment, continued

Depreciation expense has been charged to cost of sales in the amount of KZT 5,860,442 thousand (2008: KZT 4,704,945 thousand; 2007: KZT 4,059,604 thousand), to distribution expenses in the amount of KZT 54,749 thousand (2008: KZT 52,242 thousand; 2007: KZT 23,440 thousand), and in administrative expenses in the amount of KZT 491,494 thousand (2008: KZT 507,383 thousand; 2007: 363,544 thousand).

Borrowing costs

- (a) Borrowing costs capitalized during reporting periods were as follows:

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Capitalized borrowing costs	27,723	400,709	549,789

- (b) **Construction in progress**

Construction in progress comprises capital repairs of the existing property, plant and equipment that extends the life of the assets.

- (b) **Rented equipment**

The Group has acquired assets under finance lease arrangements. At the end of the lease period, ownership of the assets will automatically transfer to the Group. The Group makes monthly payments based on the terms of these agreements. As at 31 December 2009 the book value of such assets was KZT 279,088 thousand (2008: KZT 722,014 thousand; 2007: KZT 457,816 thousand; 2006: KZT 6,609 thousand).

- (c) **Collateral**

Property, plant and equipment with a carrying amount of KZT 3,932,999 thousand (2008: KZT 5,442,593 thousand; 2007: KZT 3,308,818 thousand; 2006: KZT 1,867,177 thousand) have been pledged to secure bank loans (Note 34).

- (d) **Fully depreciated property plant and equipment**

As at 31 December 2009, the gross carrying value of fully depreciated property, plant and equipment still being used was KZT 886,082 thousand (2008: KZT 657,386 thousand; 2007: KZT 1,294,315 thousand; 2006: KZT 499,981 thousand).

- (e) **Idle property, plant and equipment**

As at 31 December 2009, the carrying value of temporary idle property, plant and equipment was KZT 21,751 thousand (2008: KZT 47,744 thousand; 2007: KZT 42,247 thousand; 2006: nil).

- (f) **Commitments**

As at 31 December 2009, the commitment to acquire property, plant and equipment was KZT 121,380 thousand (2008: KZT 147,352 thousand and 2007: nil; 2006: nil).

19 Mine development assets

'000 KZT	Field preparation	Site restoration asset	Ion-exchange resin	Total
Cost				
At 1 January 2007	8,008,234	370,530	1,089,412	9,468,176
Additions	2,470,447	42,596	484,286	2,997,329
Transfer to mineral rights	(22,075)	-	-	(22,075)
Transfer from exploration and evaluation assets	78,979	-	-	78,979
Disposal of subsidiaries	40,672	-	-	40,672
Balance at 31 December 2007	10,576,257	413,126	1,573,698	12,563,081
At 1 January 2008	10,576,257	413,126	1,573,698	12,563,081
Additions	3,515,776	71,118	227,437	3,814,331
Transfer from exploration and evaluation assets	4,730,619	76,347	163,674	4,970,640
Balance at 31 December 2008	18,822,652	560,591	1,964,809	21,348,052
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 mineral 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
Accumulated depreciation and impairment loss				
Balance at 1 January 2007	3,130,211	30,661	91,411	3,252,283
Depreciation charged	2,017,626	15,579	107,408	2,140,613
Balance at 31 December 2007	5,147,837	46,240	198,819	5,392,896
Balance at 1 January 2008	5,147,837	46,240	198,819	5,392,896
Depreciation charged	2,518,990	15,892	115,153	2,650,035
Balance at 31 December 2008	7,666,827	62,132	313,972	8,042,931
Balance at 1 January 2009	7,666,827	62,132	313,972	8,042,931
Depreciation charged	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
Net Book Value				
At 1 January 2007	4,878,023	339,869	998,001	6,215,893
At 31 December 2007	5,428,420	366,886	1,374,879	7,170,185
At 31 December 2008	11,155,825	498,459	1,650,837	13,305,121
At 31 December 2009	13,665,832	1,855,266	1,934,274	17,455,372

20 Intangible assets

'000 KZT	Licenses and patents	Software	Other	Total
<i>Cost</i>				
At 1 January 2007	6,864	95,841	34,122	136,827
Additions	29,955	51,157	33,442	114,554
Disposals	(1,314)	(7,933)	(12,741)	(21,988)
At 31 December 2007	<u>35,505</u>	<u>139,065</u>	<u>54,823</u>	<u>229,393</u>
At 1 January 2008	35,506	139,064	54,823	229,393
Additions	9,190	55,195	32,741	97,126
Disposals	(118)	(19,969)	(4,046)	(24,133)
At 31 December 2008	<u>44,578</u>	<u>174,290</u>	<u>83,518</u>	<u>302,386</u>
At 1 January 2009	44,578	174,290	83,518	302,386
Additions	14,573	102,680	17,236	134,489
Disposals	(27,619)	(8,380)	(588)	(36,587)
At 31 December 2009	<u>31,532</u>	<u>268,590</u>	<u>100,166</u>	<u>400,288</u>
<i>Accumulated amortization and impairment</i>				
At 1 January 2007	2,393	38,990	9,961	51,344
Amortization charge	2,413	21,392	3,142	26,947
Disposals	(1,304)	(5,347)	(8,370)	(15,021)
At 31 December 2007	<u>3,502</u>	<u>55,035</u>	<u>4,733</u>	<u>63,270</u>
At 1 January 2008	3,502	55,035	4,733	63,270
Amortization charge	12,589	37,056	21,990	71,635
Disposals	(9)	(15,917)	(1,133)	(17,059)
At 31 December 2008	<u>16,082</u>	<u>76,174</u>	<u>25,590</u>	<u>117,846</u>
At 1 January 2009	16,082	76,174	25,590	117,846
Amortization charge	5,735	61,230	37,053	104,018
Disposals	(9,977)	(2,558)	(588)	(13,123)
At 31 December 2009	<u>11,840</u>	<u>134,846</u>	<u>62,055</u>	<u>208,741</u>
<i>Net book value</i>				
At 1 January 2007	<u>4,471</u>	<u>56,851</u>	<u>24,161</u>	<u>85,483</u>
At 31 December 2007	<u>32,003</u>	<u>84,030</u>	<u>50,090</u>	<u>166,123</u>
At 31 December 2008	<u>28,496</u>	<u>98,116</u>	<u>57,928</u>	<u>184,540</u>
At 31 December 2009	<u>19,692</u>	<u>133,744</u>	<u>38,111</u>	<u>191,547</u>

21 Mineral rights

'000 KZT	<u>Total</u>
<i>Cost</i>	
Balance at 1 January 2007	1,539,800
Additions	17,722
Transfer from mine development assets	22,075
Transfer from exploration and evaluation assets	<u>206,357</u>
Balance at 31 December 2007	<u>1,785,954</u>
Balance at 1 January 2008	1,785,954
Additions	611,993
Transfer from exploration and evaluation assets	<u>452,189</u>
Balance at 31 December 2008	<u>2,850,136</u>
Balance at 1 January 2009	2,850,136
Additions	55,232
Change in estimate (Note 35)	(1,767,919)
Transfer from mine development assets	385
Transfer to exploration and evaluation assets	<u>(159,713)</u>
Balance at 31 December 2009	<u>978,121</u>
<i>Amortization and impairment losses</i>	
Balance at 1 January 2007	70,209
Depreciation charged	<u>64,339</u>
Balance at 31 December 2007	<u>134,548</u>
Balance at 1 January 2008	134,548
Depreciation charged	<u>65,403</u>
Balance at 31 December 2008	<u>199,951</u>
Balance at 1 January 2009	199,951
Depreciation charged	38,761
Impairment loss	426
Change in estimate	<u>(156,781)</u>
Balance at 31 December 2009	<u>82,357</u>
<i>Net Book Value</i>	
Balance at 1 January 2007	<u>1,469,591</u>
Balance at 31 December 2007	<u>1,651,406</u>
Balance at 31 December 2008	<u>2,650,185</u>
Balance at 31 December 2009	<u>895,764</u>

Subsoil use agreements for uranium mines held by the Group require it to make contributions to social development and education programs. Through 31 December 2008 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

21 Mineral rights, continued

for each subsequent year will need to be agreed annually with the relevant authority. Accordingly, the Group can no longer make a reliable estimate of the cumulative future amounts due under each subsoil agreement. Therefore, it has 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.

22 Exploration and evaluation assets

'000 KZT	<u>Tangible assets</u>	<u>Intangible assets</u>	<u>Total</u>
Balance at 1 January 2007	1,757,994	578,684	2,336,678
Additions	2,659,940	-	2,659,940
Disposal of subsidiaries (Note 6)	(1,229,909)	(139,076)	(1,368,985)
Transfer to mine development assets	(78,979)	-	(78,979)
Transfer to mineral rights	-	(206,357)	(206,357)
	<u>3,109,046</u>	<u>233,251</u>	<u>3,342,297</u>
Balance at 31 December 2007			
Balance at 1 January 2008	3,109,046	233,251	3,342,297
Additions	2,300,364	219,435	2,519,799
Transfer to other accounts (reclassification)	(434)	-	(434)
Transfer to mine development assets	(4,970,640)	-	(4,970,640)
Transfer to mineral rights	-	(452,189)	(452,189)
	<u>438,336</u>	<u>497</u>	<u>438,833</u>
Balance at 31 December 2008			
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 mineral rights	-	159,713	159,713
Depreciation of exploration works charged to cost of sales	(319,260)	(16,357)	(335,617)
Impairment	(12,970)	-	(12,970)
Change in estimate	-	(55,621)	(55,621)
	<u>3,776,906</u>	<u>88,232</u>	<u>3,865,138</u>
Balance at 31 December 2009			

23 Investments in associates

The Group has the following investments in associates:

	Country	31.12.2009		31.12.2008		31.12.2007		01.01.2007	
		Ownership / Voting	'000 KZT	Ownership / Voting	'000 KZT	Ownership / Voting	'000 KZT	Ownership / Voting	'000 KZT
JV Betpak Dala LLP	Kazakhstan	30%	10,227,910	30%	7,175,769	30%	6,006,460	30%	1,837,000
JV KATCO LLP	Kazakhstan	49%	14,206,000	49%	5,149,496	49%	2,980,301	-	-
Uranenergo LLP	Kazakhstan	36.55%	4,091,954	36.55%	3,968,325	37.08%	3,152,221	-	-
JV «SKZ Kazatomprom» LLP	Kazakhstan	24.5%	727,828	-	-	-	-	-	-
JV Inkai LLP	Kazakhstan	40%	2,038,539	40%	1,831,018	40%	1,796,571	40%	376,793
JV Zarechnoe LLP	Kazakhstan	49.67%	-	49.67%	551,735	49.67%	660,447	49.33%	191,768
JV Rosburmash LLP	Kazakhstan	49%	111,663	49%	22,936	49%	2,629	-	-
JV Akbastau LLP	Kazakhstan	50%	430,715	50%	14,346	50%	34,274	50%	105,000
Kazakhstan Nuclear Institution LLP	Kazakhstan	40%	7,980	40%	10,875	40%	11,795	40%	9,693
Demeu -Clothes LLP	Kazakhstan	49%	3,369	49%	3,912	49%	2,325	49%	3,134
Kyzylkum LLP	Kazakhstan	30%	-	30%	-	30%	-	30%	-
NPK Ulba	Kazakhstan	33%	3,273	33%	2,958	-	-	-	-
SKZ -U LLP	Kazakhstan	49%	3,724,495	-	-	-	-	-	-
JV IFASTAR	France	49%	161,773	-	-	-	-	-	-
PKF Ulba Electro	Казакстан	30%	10,454	-	-	-	-	30%	27
			<u>35,745,953</u>		<u>18,731,370</u>		<u>14,647,023</u>		<u>2,523,415</u>

As at 31 December 2009 the Group did not recognize its share of the accumulated losses of associated companies which exceeded the cost of investment, amounting to KZT 2,118,949 thousand, because it had no obligation to fund these losses.

	2009 '000 KZT	2008 '000 KZT	2007 '000 KZT
Accumulated losses:			
At the beginning of the year	130,158	-	1,052,130
Movement in:			
JV KATCO LLP	-	-	(1,052,130)
Kyzylkum LLP	1,966,076	130,158	-
JV Zarechnoe LLP	22,715	-	-
At the end of the year	<u>2,118,949</u>	<u>130,158</u>	<u>-</u>

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

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Total assets	255,812,913	165,188,238	106,380,557	62,977,163
Total liabilities	172,331,726	117,011,851	76,681,101	57,432,257
Net assets	<u>83,481,187</u>	<u>48,176,387</u>	<u>29,699,456</u>	<u>5,544,906</u>
Group's share of net assets of associates	<u>35,745,953</u>	<u>18,731,370</u>	<u>14,647,023</u>	<u>2,523,415</u>
	<u>2009 '000 KZT</u>	<u>2008 '000 KZT</u>	<u>2007 '000 KZT</u>	
Total revenue	106,978,455	52,025,585	52,115,409	
Total profit for the year	26,415,400	15,280,051	18,965,065	
Group's share of profit of associates	<u>13,503,206</u>	<u>5,164,270</u>	<u>8,880,688</u>	

24 Investments in jointly controlled entities

The Group has the following investments in jointly controlled entities:

	Country	31.12.2009		31.12.2008		31.12.2007		01.01.2007	
		Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT	Ownership/ voting	'000 KZT
Karatau LLP	Kazakhstan	50%	5,105,915	50%	2,183,427	50%	1,565,488	-	-
CJSC COU	Kazakhstan	50%	639,351	50%	668,639	50%	380,348	-	-
JSC «Yingtan Ulba Shine Metal Materials Co., Ltd»	Kazakhstan	50%	360,480	50%	375,889	50%	375,100	-	-
Kyzyltu LLP	Kazakhstan	50%	352,868	50%	396,754	50%	397,917	50%	24,816
Ulba Conversion LLP	Kazakhstan	50%	27,027	50%	26,511	-	-	-	-
JV UKR TVS CJSC	Ukraine	33.33%	7,947	33.33%	12,775	33.33%	12,667	33.33%	12,813
Geotechnologia KKRUMTs	Kyrgyzstan	50%	1,884	50%	1,311	50%	4,085	50%	3,244
JV «SKZ Kazatomprom» LLP	Kazakhstan	-	-	50%	632,319	-	-	-	-
JSC Atomic Power Stations Kazakhstan- Russian Company	Kazakhstan	50%	-	50%	29,535	50%	25,202	50%	27,300
			<u>6,495,472</u>		<u>4,327,160</u>		<u>2,760,807</u>		<u>68,173</u>

As at December 31, 2009 the Group did not recognize its share of the accumulated losses of jointly controlled company JSC Atomic Power Stations Kazakhstan-Russian Company which exceeded the cost of investment amounting to KZT 53,599 thousand (2008: nil; 2007: nil; 2006: nil).

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

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Total assets	24,485,376	21,393,402	11,538,241	450,173
Total liabilities	11,512,083	12,726,302	6,003,948	301,283
Net assets	12,973,293	8,667,100	5,534,293	148,890
Group's share of net assets of jointly controlled entities	6,495,472	4,327,160	2,760,807	68,173
	<u>2009</u> <u>'000 KZT</u>	<u>2008</u> <u>'000 KZT</u>	<u>2007</u> <u>'000 KZT</u>	
Total revenue	18,972,707	5,642,547	531,514	
Total profit for the year	6,657,874	1,133,293	(140,252)	
Group's share of profit of jointly controlled entities	3,345,890	560,417	(70,304)	

25 Other investments

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Non-current</i>				
<i>AFS Investments</i>				
Toshiba Nuclear Energy Holdings (US) Inc.	48,892,455	48,892,455	48,359,180	-
Toshiba Nuclear Energy Holdings (UK) Ltd.	17,112,425	17,112,425	16,925,712	-
Uranenergo LLP	-	-	-	425,081
Other investments available for sale	40,791	40,767	28,191	14,111
	<u>66,045,671</u>	<u>66,045,647</u>	<u>65,313,083</u>	<u>439,192</u>
<i>Current</i>				
Investment portfolio	-	20,433,413	1,942,559	314,398
Loans receivable	-	2,220,000	-	-
	<u>-</u>	<u>22,653,413</u>	<u>1,942,559</u>	<u>314,398</u>

(a) 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 29 February 2013.

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 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.

25 Other investments, continued

(b) Investment portfolio management agreement

The Group and Alan Securities JSC and BTA Securities JSC (jointly named "Trustee") entered into investment portfolio management agreements. Under these agreements, the Group transferred funds into a special account. The Group vested the Trustee with the right to manage the investment portfolio on behalf of the Group and granted full access to the special account. The Group and the Trustee agreed that the target return on the portfolio should be minimum 10.5 % - 11% per annum for the benefit of the Group and that the Trustee is obliged to return the whole amount transferred to the Group's account including accrued interest. The Group had no exposure to losses on these investments. This investment was treated as a loan. This agreement was concluded for one year and the Group had the right to withdraw cash from the special account. In 2009, the Group redeemed these investments in the amount of KZT 20,192,008 thousand.

Funds transferred to the special account can be invested in class A bonds of Kazakhstani companies and securities.

Note 40 discloses the information on the Group's exposure to credit, currency and interest rate risks in relation to other investments.

26 Trade receivables

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Trade accounts receivable	28,635,328	23,825,683	21,668,536	13,704,565
Accounts receivable from related parties (Note 42)	4,139,947	2,243,831	4,083,272	609,392
	32,775,275	26,069,514	25,751,808	14,313,957
Provision for doubtful debts	(549,644)	(489,502)	(414,116)	(619,170)
	<u>32,225,631</u>	<u>25,580,012</u>	<u>25,337,692</u>	<u>13,694,787</u>

Note 40 discloses the information on the Group's exposure to credit and currency risks and the impairment loss on trade accounts receivable.

27 Advances paid and other receivables

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Non-current</i>				
Advances paid for long term assets	1,238,013	6,154,956	4,902,375	2,807,468
Loans given to employees	491,027	559,965	462,475	407,258
Other	40,308	592,102	37,064	50,916
	<u>1,769,348</u>	<u>7,307,023</u>	<u>5,401,914</u>	<u>3,265,642</u>
<i>Current</i>				
VAT receivable	13,598,672	8,192,663	8,164,420	1,994,478
Advances paid for goods and services	7,375,140	11,153,352	1,386,502	1,388,113
Receivables from subsoil users	397,085	673,371	492,540	12,031
Prepaid expenses	43,926	126,172	129,610	170,004
Prepaid taxes other than income	101,090	77,495	90,795	104,586
Insurance prepayment	112,619	148,380	108,671	50,815
Receivables from disposal of subsidiaries	-	-	-	68,580,000
Other	612,071	1,367,258	626,326	352,522
	<u>22,240,603</u>	<u>21,738,691</u>	<u>10,998,864</u>	<u>72,652,549</u>

28 Inventories

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Current</i>				
Finished goods and goods for resale	34,038,251	18,565,399	9,584,220	6,229,037
Work in progress	11,058,524	9,069,093	7,197,902	7,602,144
Raw materials	4,234,302	3,896,990	2,939,366	2,441,535
Materials in process	519,687	891,792	522,770	589,206
Fuel	666,662	858,472	747,472	410,566
Spare parts	757,720	637,750	539,789	382,269
Other materials	1,136,964	855,733	594,054	432,905
	52,412,110	34,775,229	22,125,573	18,087,662
Provision for obsolete inventories	(308,756)	(327,962)	(425,073)	(330,103)
<i>Current</i>	52,103,354	34,447,267	21,700,500	17,757,559
<i>Non-current</i>	7,077,867	9,148,251	9,968,853	9,655,040
	59,181,221	43,595,518	31,669,353	27,412,599

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 areas of judgment applied to the assessment of the net realizable value depend upon determination of the level of contamination, enrichment and natural uranium and separate work units' contents.

Collateral

Inventory in the amount of KZT 1,159,572 thousand (2008: KZT 1,159,572 thousand; 2007: KZT 1,159,572 thousand; 2006: KZT 1,159,572 thousand) has been pledged as collateral for loans and borrowings (Note 34).

JSC National Atomic Company "Kazatomprom"
Notes to the consolidated financial statements for the years
ended 31 December 2009, 2008 and 2007(continued)

29 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			
	31.12.2009	31.12.2008	31.12.2007	01.01.2007	31.12.2009	31.12.2008	31.12.2007	01.01.2007	31.12.2009	31.12.2008	31.12.2007	01.01.2007
Property, plant and equipment	324,501	243,781	293,421	135,017	(1,951,383)	(1,315,679)	(2,090,002)	(1,009,823)	(1,626,882)	(1,071,898)	(1,796,581)	(874,806)
Intangible assets	14,473	13,214	20,096	21,140	(698)	(476)	(3,401)	(1,841)	13,775	12,738	16,695	19,299
Investment property	-	-	-	-	(10,504)	(9,804)	-	-	(10,504)	(9,804)	-	-
Mineral rights	47,015	298,175	438,475	439,728	(43,354)	(253,097)	(488,976)	(549,325)	3,661	45,078	(50,501)	(109,597)
Exploration and evaluation assets	5,805	-	-	-	(114,889)	(14,486)	(14,139)	(14,677)	(109,084)	(14,486)	(14,139)	(14,677)
Site restoration	13,899	16,784	21,349	40,794	(286,065)	(105,792)	(123,781)	(101,962)	(272,166)	(89,008)	(102,432)	(61,168)
Advances paid and other receivables	35,542	-	-	-	-	-	-	-	35,542	-	-	-
Inventory	756,254	2,034,448	186,381	132,779	(14,006)	(50,003)	-	-	742,248	1,984,445	186,381	132,779
Trade receivable	810,792	1,115,555	657,014	874,205	(541,048)	(1,162,802)	(79,108)	(78,979)	269,744	(47,247)	577,906	795,226
Grants	60,721	63,086	120,018	127,636	-	-	-	-	60,721	63,086	120,018	127,636
Mine development assets	-	-	27,760	-	(20,868)	(12,349)	(33,421)	(20,002)	(20,868)	(12,349)	(5,661)	(20,002)
Accrued liabilities	238,478	661,513	744,115	213,486	(123)	-	-	-	238,355	661,513	744,115	213,486
Taxes	326,027	26,563	53,143	36,251	-	-	-	-	326,027	26,563	53,143	36,251
Provisions	764,295	783,584	104,013	251,921	(1,049)	-	-	-	763,246	783,584	104,013	251,921

JSC National Atomic Company "Kazatomprom"
Notes to the consolidated financial statements for the years
ended 31 December 2009, 2008 and 2007(continued)

29 Deferred tax assets and liabilities, continued

(a) Recognized deferred tax assets and liabilities, continued

	Assets					Liabilities			Net amount			
	31.12.2009	31.12.2008	31.12.2007	01.01.2007	31.12.2009	31.12.2008	31.12.2007	01.01.2007	31.12.2009	31.12.2008	31.12.2007	01.01.2007
Trade and other payables	16,906	9,610	13,223	13,160	-	(43,303)	(98,519)	(104,039)	16,906	(33,693)	(85,296)	(90,879)
Loans and borrowings	-	-	-	-	(69,939)	(72,106)	(126,084)	(128,920)	(69,939)	(72,106)	(126,084)	(128,920)
Other Tax loss carried forward	67,008	66,821	109,045	115,446	(1,609)	(46)	(68)	(550)	65,399	66,775	108,977	114,896
	12,498	-	36	1,550	-	-	-	-	12,498	-	36	1,550
Total	3,494,214	5,333,134	2,788,089	2,403,113	(3,055,535)	(3,039,943)	(3,057,499)	(2,010,118)	438,679	2,293,191	(269,410)	392,995
Offset of deferred tax assets and liabilities	(1,854,988)	(2,455,458)	(1,704,312)	(1,123,148)	1,854,988	2,455,458	1,704,312	1,123,148	-	-	-	-
Total	1,639,226	2,877,676	1,083,777	1,279,965	(1,200,547)	(584,485)	(1,353,187)	(886,970)	438,679	2,293,191	(269,410)	392,995

29 Deferred tax assets and liabilities, continued

(b) Movement in temporary differences

'000 KZT	1 January 2007	Change for the year	31 December 2007
Property, plant and equipment	(874,806)	(921,775)	(1,796,581)
Site restoration	(61,168)	(41,264)	(102,432)
Inventory	132,779	53,602	186,381
Unused vacation reserve	213,486	530,629	744,115
Provisions	251,921	(147,908)	104,013
Other	730,783	(135,689)	595,094
	392,995	(662,405)	(269,410)

'000 KZT	1 January 2008	Change for the year	31 December 2008
Property, plant and equipment	(1,796,581)	724,683	(1,071,898)
Site restoration	(102,432)	13,424	(89,008)
Inventory	186,381	1,798,064	1,984,445
Unused vacation reserve	744,115	(82,602)	661,513
Provisions	104,013	679,571	783,584
Other	595,094	(570,539)	24,555
	(269,410)	2,562,601	2,293,191

'000 KZT	1 January 2009	Change for the year	31 December 2009
Property, plant and equipment	(1,071,898)	(554,984)	(1,626,882)
Site restoration	(89,008)	(183,158)	(272,166)
Inventory	1,984,445	(1,242,197)	742,248
Unused vacation reserve	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:

<i>Tax effect</i>	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Deductible temporary differences	-	71,986	-	-
Tax losses carried forward	1,397,640	590,175	152,788	45,560
	1,397,640	662,161	152,788	45,560

The unrecognized tax losses arising 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
	1,397,640

30 Term deposits

		31.12.2009	31.12.2008	31.12.2007	01.01.2007
	Currency	'000 KZT	'000 KZT	'000 KZT	'000 KZT
<i>Non-current</i>					
JSC Kazinvestbank	Tenge	-	473,246	272,892	-
JSC Alliance Bank	Tenge	110	204,312	32,795	224,118
JSC Alliance Bank	USD	148	12,802	-	-
JSC Bank CenterCredit	USD	766,942	-	-	-
JSC BTA Bank	Tenge	96,675	184,752	80,840	402
JSC Halyk Bank of Kazakhstan	USD	807	-	-	-
JSC Halyk Bank of Kazakhstan	Tenge	-	-	-	12
JSC DB RBS Kazakhstan	Tenge	3,383	-	-	-
JSC Eurasian Bank	Tenge	172,089	-	-	-
JSC Bank Caspian	Tenge	-	-	-	200,000
		1,040,154	875,112	386,527	424,532

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 2009 transfers to special deposit accounts amount to KZT 1,026,587 thousand (2008: KZT 650,013 thousand; 2007: 386,527 thousand, 2006: KZT 224,532 thousand).

		31.12.2009	31.12.2008	31.12.2007	01.01.2007
	Currency	'000 KZT	'000 KZT	'000 KZT	'000 KZT
<i>Current</i>					
	Tenge				
JSC Tsesna Bank		-	15,000	-	-
JSC BTA Bank	Tenge	241	201	2,092,484	9,030
JSC BTA Bank	USD	-	-	-	1,005,500
JSC Kazkommertsbank	Tenge	-	-	1,000,000	1,000,000
JSC Citibank	Tenge	420	-	-	-
JSC DB Sberbank	Tenge	2,055,200	-	-	-
JSC Bank CenterCredit	USD	8,044,399	-	-	-
JSC Bank CenterCredit	Tenge	154,123	-	-	-
JSC Halyk Bank of Kazakhstan	USD	3,735,324	-	-	-
JSC Nurbank	USD	1,514,706	-	-	-
JSC ATF bank	USD	7,238,322	-	-	-
JSC Alliance Bank	Tenge	-	-	-	2,105,071
JSC Bank Caspian	Tenge	-	-	-	300,000
JSC ValyutTransitBank	Tenge	-	-	-	2
		22,742,735	15,201	3,092,484	4,419,603

Interest on deposits presented held as at December 31, 2009 vary from 0.01% to 13% per annum (2008: from 0.01% to 12.3%; 2007: from 1% to 11.7%; 2006: 0.01% to 11%).

Note 40 discloses information on the Group's exposure to interest rate risk and provides sensitivity analysis in respect of financial assets and liabilities.

31 Cash and cash equivalents

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Bank accounts	25,412,410	33,640,584	7,289,905	24,111,248
Demand deposits	4,608,518	435,856	2,954,171	2,317,565
Petty cash	62,020	84,188	43,684	61,075
	<u>30,082,948</u>	<u>34,160,628</u>	<u>10,287,760</u>	<u>26,489,888</u>

32 Restricted cash

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
Restricted cash	1,662,066	-	-	-

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 which have been arrested. This is reflected as restricted cash in the statement of financial position and not reflected in the Group's cash flows as it is not part of the Group's operations.

Note 40 discloses information on the Group's exposure to interest rate risk and sensitivity analysis of financial assets and liabilities.

33 Equity

(a) Share capital

Number of authorized and issued shares unless otherwise stated

	Common Shares 2009	Common Shares 2008	Common Shares 2007
Par value	1,000 tenge	1,000 tenge	1,000 tenge
Beginning of the year	36,692,361	36,692,361	7,980,715
Issued for cash	-	-	28,686,193
Issued in exchange for property, plant and equipment	-	-	25,453
End of the year, fully paid	<u>36,692,361</u>	<u>36,692,361</u>	<u>36,692,361</u>

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

(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 Company's IFRS consolidated financial statements. At 31 December 2009 the Company had cumulative retained earnings, including the profit for the current year, of KZT 194,418,746 thousand (2008: KZT 153,742,508 thousand; 2007: KZT 143,663,119 thousand; 2006: KZT 108,438,090 thousand).

(c) Additional paid-in capital

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

33 Equity, continued

(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 recognised directly in the translation reserve. Also translation reserve includes effect of translated of Company books into the presentation currency before change in functional currency (Not 2 (d)).

34 Loans and borrowings

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Non current liabilities</i>				
Secured bank loans	30,555,118	31,687,007	16,829,479	12,027,747
Secured non bank loans	4,313,036	3,847,078	3,298,276	394,199
Finance lease obligations	85,912	137,196	137,285	6,609
Note payable	20,250	-	-	-
Unsecured bonds	-	-	-	2,000,000
	34,974,316	35,671,281	20,265,040	14,428,555
<i>Current liabilities</i>				
Secured bank loans	25,465,276	31,742,303	15,377,006	14,727,349
Secured non-bank loans	476,623	964,687	3,161	401
Finance lease obligations	65,576	101,537	120,474	4,928
Unsecured bonds	-	-	2,000,000	-
Unsecured bonds issued by Company	-	-	-	1,418,553
	26,007,475	32,808,527	17,500,641	16,151,231

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

	31.12.2009			31.12.2008		
	Minimum lease payments	Less future finance charges	Present value of minimum lease payments	Minimum lease payments	Less future finance charges	Present value of minimum lease payments
'000 KZT						
Not later than one year	76,687	(11,111)	65,576	127,262	(25,725)	101,537
Later than one year and not later than five year	92,243	(6,331)	85,912	162,010	(24,814)	137,196
	168,930	(17,442)	151,488	289,272	(50,539)	238,733

34 Loans and borrowings, continued

	31.12.2007			01.01.2007		
	Minimum lease payments	Less future finance charges	Present value of minimum lease payments	Minimum lease payments	Less future finance charges	Present value of minimum lease payments
'000 KZT						
Not later than one year	129,389	(8,915)	120,474	6,728	(1,800)	4,928
Later than one year and not later than five year	139,602	(2,317)	137,285	7,379	(770)	6,609
	268,991	(11,232)	257,759	14,107	(2,570)	11,537

The Group enters into finance leasing arrangements for drilling equipment. The average term of finance leases entered into is 5 years.

Unsecured bonds

As at 31 December 2007 and 2006 the number of bonds issued was as follows:

	2007		2006	
	Number of bonds issued	Par value	Number of bonds issued	Par value
Company	-	-	1,690,000	KZT 100
JSC UMZ	2,000,000	KZT 1,000	2,000,000	KZT 1,000

The bonds issued by JSC "UMZ", a subsidiary entity, matured in December 2008.

In 2006 KZT 271,447 thousand of the Company's bonds were redeemed, with the remainder redeemed in 2007.

JSC National Atomic Company "Kazatomprom"
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34 Loans and borrowings, continued

	Currency	Nominal Interest Rate	Year of maturity	Year of		
				31.12.2009	31.12.2008	31.12.2007
						01.01.2007
'000 KZT						
Secured Bank Loans						
Syndicated bank loan Citibank International Plc, London as an agent	USD	3 m LIBOR+ 1.75%	2010	19,143,718	36,464,759	-
Mizuho Corporate Bank Ltd.	USD	3 m LIBOR+1.7%	2015	6,398,718	6,115,057	7,625,277
Japan Bank of International Cooperation	USD	LIBOR + 0.275%	2014	6,210,669	5,056,295	4,478,522
ING bank Japan	Euro	3 m LIBOR + 2.25%	2012	6,023,756	-	656,531
Industrial and Commercial Bank of China	USD	6 m LIBOR + 2%	2013	4,451,100	-	-
ABN AMRO Bank Kazakhstan JSC	USD	LIBOR + 2.5%	2009	-	2,417,395	-
Natixis Bank	USD	1 m LIBOR +2.15%	2010	557,050	2,267,805	3,612,479
Citibank, Tokyo	USD	LIBOR + 0.35%	2013	2,512,735	1,988,605	1,747,663
Halyk Bank of Kazakhstan JSC	Tenge	14%	2009	-	2,064,028	131,409
ABN AMRO Bank N.V.	USD	6.67%	2013	5,962,163	1,818,263	1,523,800
Citibank Kazakhstan JSC	USD	LIBOR + 6%	2010	1,566,682	1,613,487	-
ABN AMRO Bank N.V.	USD	LIBOR + 1.65%	2013	1,462,557	1,532,716	-
Alfa-bank JSC	Tenge	16%	2011	528,763	1,886,205	261
Alfa-bank JSC	Tenge	14%	2010	164,270	1,036,629	-
BTA Bank JSC	Tenge	16%	2010	25,011	308,964	486,131
Amsterdam Trade Bank N.V.	USD	9%	2009	-	266,792	-
BTA Bank JSC	Tenge	13%	2013	948,525	134,600	-
Citibank Kazakhstan JSC	USD	LIBOR + 2.5%	2009	-	102,655	-
Citibank Kazakhstan JSC	Tenge	LIBOR + 2.5%	2009	-	55,329	200,000
Citibank Kazakhstan JSC	Tenge	17.5%	2010	64,677	20,000	15,000
Citibank Kazakhstan JSC	USD	LIBOR + 2.5%	2008	-	-	-
Halyk Bank of Kazakhstan JSC	Tenge	13%	2008	-	1,059,303	-
ABN AMRO Bank Kazakhstan JSC	USD	1 m LIBOR +1.65%	2008	-	2,012,278	-
Natixis Bank	USD	1 m LIBOR +1.95%	2008	-	2,409,046	-
Citibank Kazakhstan JSC	USD	LIBOR + 2.5%	2008	-	3,009,774	9,531,817
BTA Bank JSC	Tenge	7.65%	2007	-	955,643	3,259,000
BTA Bank JSC	Tenge	11%	2007	-	-	1,101,205
Halyk Bank of Kazakhstan JSC	Tenge	11.25%	2007	-	-	480,000
Bank Caspian JSC	Tenge	2.5%	2007	-	-	540,000
BTA Bank JSC	Tenge	9%	2007	-	-	59,284
				56,020,394	63,429,310	1,145,381
					32,206,485	26,755,096

JSC National Atomic Company "Kazatomprom"
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34 Loans and borrowings, continued

'000 KZT	Currency	Nominal Interest Rate	Year of maturity	31.12.2009	31.12.2008	31.12.2007	01.01.2007
Secured non bank loans							
Sumitomo Corporation	USD	3-m. LIBOR + 0.35%	2013	3,298,415	2,636,506	2,289,268	220,512
Kansai Electric Power Inc.	USD	3-m. LIBOR + 0.35%	2013	1,316,809	1,051,171	911,739	83,820
Uranium One Inc.	USD	Interest free	2009	-	688,389	-	-
Baikent - U LLP	Tenge	Interest free	2009	-	275,000	-	-
Kozhema- Katco- Demeu	Tenge	Interest free	2024	174,435	159,989	99,720	90,268
Zhunosov	Tenge	Interest free	2009	-	710	710	-
				4,789,659	4,811,765	3,301,437	394,600
Finance lease obligations							
Centr Leasing JSC	Tenge	12%	2012	54,072	73,293	33,210	-
JV Betpak Data LLP	Tenge	14%	2013	42,103	50,243	-	-
TAISC, Inc. DBA GlobalLease Solutions, Inc.	USD	6%	2009	-	44,116	128,029	-
Virazh Leasing LLP	Tenge	19.24%	2011	25,641	41,724	16,630	11,537
Temirleasing LLP	Tenge	21%	2011	11,462	16,656	-	-
Alliance Bank JSC	USD	10%	2011	9,307	12,701	79,890	-
JV Akbatau LLP	Tenge	5%	2013	8,903	-	-	-
				151,488	238,733	257,759	11,537
Unsecured bonds issues							
Unsecured bonds	Tenge	8.25%	2008	-	-	2,000,000	3,418,553
				-	-	2,000,000	3,418,553
Note payable							
	Tenge		2011	20,250	-	-	-
				60,981,791	68,479,808	37,765,681	30,579,786

34 Loans and borrowings, continued

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 solely 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 was in compliance with the covenants as at 31 December 2009, 2008 and 2007.

Collateral

Bank loans are secured by the following assets:

- Contracts on delivery of goods (uranium concentrate);
- Real estate property with carrying value of KZT 3,932,999 thousand (2008: KZT 5,442,593 thousand; 2007: KZT 3,308,818 thousand, 2006: KZT 1,867,177 thousand) (Note 18);
- Inventory in the amount of KZT 1,159,572 thousand (2008: KZT 1,159,572 thousand; 2007: KZT 1,159,572 thousand; 2006: KZT 1,159,572 thousand) (Note 28).

More information on interest rate and currency risk is presented in Note 40.

JSC National Atomic Company "Kazatomprom"
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35 Provisions

	Provision for historical costs	Financing of social sphere	Education of employees	Provision for occupational diseases	Provision for environmental protection	Provision for reclamation of mine-sites	Other	Total
'000 KZT								
Balance at 1 January 2007	401,572	1,365,668	295,867	361,376	855,327	1,552,483	4,578	4,836,871
Allocated as:								
<i>Non-current</i>								
Current	381,813	1,212,633	269,996	302,409	855,327	1,537,926	4,578	4,564,682
Total	19,759	153,035	25,871	58,967	-	14,557	-	272,189
401,572	1,365,668	295,867	361,376	855,327	1,552,483	4,578	4,836,871	
Provision created within year	-	-	-	13,054	(779,379)	43,393	534	(722,398)
Unwinding of discount	38,832	131,197	24,843	21,301	11,772	155,974	-	383,919
Provision used within year	(17,644)	(147,002)	(18,061)	(56,696)	(27,254)	(52,660)	-	(319,317)
Disposal of subsidiaries (Note 6)	(2,908)	(72,794)	(71,310)	-	-	(68,055)	-	(215,067)
Foreign exchange	(21,599)	(66,272)	(11,682)	-	-	(5,896)	-	(105,449)
Balance at 31 December 2007	398,253	1,210,797	219,657	339,035	60,466	1,625,239	5,112	3,858,559
Allocated as:								
<i>Non-current</i>								
Current	378,529	1,062,828	207,393	281,421	60,466	1,625,239	5,112	3,620,988
Total	19,724	147,969	12,264	57,614	-	-	-	237,571
398,253	1,210,797	219,657	339,035	60,466	1,625,239	5,112	3,858,559	
Provision created within year	586,616	200,293	12,994	45,427	-	88,308	656	934,294
Unwinding of discount	44,577	178,455	22,279	106,566	25,039	168,195	-	545,111
Provision used within year	(23,781)	(170,436)	(20,586)	(55,610)	(12,208)	(159,728)	-	(442,349)
Foreign exchange	2,253	(9,407)	1,142	-	-	(1,776)	-	(7,788)
Balance at 31 December 2008	1,007,918	1,409,702	235,486	435,418	73,297	1,720,238	5,768	4,887,827
Allocated as:								
<i>Non-current</i>								
Current	824,785	1,224,924	212,767	376,032	73,297	1,720,238	5,768	4,437,811
Total	183,133	184,778	22,719	59,386	-	-	-	450,016
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:								
<i>Non-current</i>								
Current	1,001,274	-	-	375,739	89,463	3,185,540	15,539	4,667,555
Total	224,971	-	-	60,935	-	-	-	285,906
1,226,245	-	-	-	436,674	89,463	3,185,540	15,539	4,953,461

35 Provisions, continued

(a) Provision for historical costs

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 2009 was KZT 1,804,773 thousand tenge (2008: 1,465,217 thousand tenge and 2007: KZT 1,497,179 thousand; 2006: KZT 1,615,567 thousand).

Following changes to tax legislation effective from 1 January 2009, the method of the reimbursement of historical costs changed and they are now payable 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 is 8.4% (2008: 8.4% and 2007: 10%-15.5%; 2006: 10%-11%). This is a risk free nominal rate and the future cash outflows reflect risk specific to the liability.

(b) 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. Through 31 December 2008 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 can no longer make a reliable estimate of the cumulative future amounts due under each subsoil agreement. Therefore, it has 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.

(c) 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 2009 the undiscounted amount of the estimate is KZT 598,467 thousand (2008: KZT 553,456 thousand; 2007: KZT 565,411 thousand; 2006: KZT 607,700 thousand).

This estimate has been recognized at a discounted value using a discount rate of 8.4% (2008: 8.4%; 2007: 15%; 2006: 14.3%), which reflects the time value of money and risks specific to the liability.

(d) 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 2009 the undiscounted amount of the estimate of such costs is KZT 1,526,210 thousand (2008: KZT 1,526,210 thousand; 2007: KZT 1,538,419 thousand; 2006: KZT 1,552,483 thousand). The substantial part of environmental protection expenses pertains to years 2068-2072

35 Provisions, continued

(d) Provision for environmental protection, continued

This estimate has been recognized at a discounted value using a discount rate of 8.4% (2008: 8.4%; 2007: 15.5%; 2006:14.3%). This is a risk 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. The estimated assumptions and assessments have been provided by both in-house engineers and professional advisors based on their best interpretation of the current environmental legislation.

(e) Provision for reclamation of mine sites

Management estimates site restoration costs for each mine operated by the Group. The estimated cost of reclamation activities is KZT 6,750,136 thousand and the present value of the costs has been estimated using a discount rate of 8.4 % (2008: 8.4%; 2007: 10%-15.5%; 2006: 10%-11%). These rates reflect the risks 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 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 2009 transfers to special deposit accounts amount to KZT 1,026,587 thousand (2008: KZT 650,013 thousand; 2007: 386,527 thousand, 2006: KZT 224,532 thousand).

Assumptions and critical judgments

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

- The obligation for repayment of historical costs is set out by Kazakhstan legislation and, therefore, is accounted for as provision rather than a financial liability;
- 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. 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 - 2056, at the end of life of the mine;
- Inflation rate - 7% per annum;

36 Trade payables

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Non-current</i>				
Trade accounts payable	255,706	208,153	207,343	218,891
<i>Current</i>				
Trade accounts payable	8,519,784	4,705,609	4,090,030	2,076,288
Accounts payable to related parties (Note 42)	7,934,809	1,746,721	5,664,825	9,135,619
	<u>16,454,593</u>	<u>6,452,330</u>	<u>9,754,855</u>	<u>11,211,907</u>
	<u>16,710,299</u>	<u>6,660,483</u>	<u>9,962,198</u>	<u>11,430,798</u>

Trade payables principally comprise amounts outstanding for trade purchases for inventories and services and ongoing costs. The average credit period taken for trade purchases is 60 days.
The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 40.

37 Advances received and other payables

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT	01.01.2007 '000 KZT
<i>Non-current</i>				
Other accounts payable	24,419	46,655	24,158	17,121
<i>Current</i>				
Advances received	3,551,056	20,267,881	1,129,854	1,215,396
Salaries payable	1,576,743	1,632,356	1,359,115	901,361
Taxes payable other than on income	4,486,235	879,903	871,706	20,311,087
Social contributions payable	364,004	297,364	285,059	186,825
Dividends payable	57,155	56,545	446,854	55,761
Interest payable	52,203	38,021	13,711	114,913
Bill of credit payables	-	28,700	565,240	472,000
Deferred income	4,168,723	-	-	2,992
Other current liabilities	1,662,066	-	-	-
Other accounts payable	374,776	220,793	176,371	201,550
	<u>16,292,961</u>	<u>23,421,563</u>	<u>4,847,910</u>	<u>23,461,885</u>
	<u>16,317,380</u>	<u>23,468,218</u>	<u>4,872,068</u>	<u>23,479,006</u>

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 170 tenge 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. This dividend is based on statutory requirements. 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

	31.12.2009 ‘000 KZT	31.12.2008 ‘000 KZT	31.12.2007 ‘000 KZT	01.01.2007 ‘000 KZT
Bonus accruals	171,402	2,473,993	1,827,937	623,384
Accrual for change in tariffs	2,292,782	2,292,782	-	-
Vacation pay accrual	1,021,062	925,490	715,573	502,370
CIT penalties	-	-	-	8,015,712
Services accrual	125,578	175,541	121,388	251,789
Other	10,462	5,239	2,170	13,787
	<u>3,621,286</u>	<u>5,873,045</u>	<u>2,667,068</u>	<u>9,407,042</u>

The Agency for Regulation of Natural Monopolies (the "Agency") provides the utility tariffs to the Group. In 2008 the Group supplied electricity at the tariffs rate supplied by the Agency which was increased in 2008. The Group appealed the rate increase to the court and a ruling was issued in favor of the Group.

The Agency appealed the case and the Mangistau Oblast Court confirmed that electricity tariff increase was illegal. This court decision was confirmed by the Supreme Court. As a result, the Group must return a certain part of its revenue from electricity sales received in 2008.

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 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.

40 Financial risk management, continued

(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 35% 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.

Most of the Group's customers have been transacting with the Group for over ten years.

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

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		
	31.12.2009	31.12.2008	31.12.2007
Available-for-sale investments	66,045,671	66,045,647	65,313,083
Other investments	-	20,433,413	1,942,559
Loans to employees	491,027	559,965	462,475
Other loans receivable	-	2,220,000	-
Receivables from subsoil users	397,085	673,371	492,540
Trade receivables	32,225,631	25,580,012	25,337,692
Term deposits	23,782,889	890,313	3,479,011
Cash and cash equivalents	30,082,948	34,160,628	10,287,760
	153,025,251	150,563,349	107,315,120

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

*000 KZT	Carrying amount		
	31.12.2009	31.12.2008	31.12.2007
Domestic	6,515,718	4,998,772	5,929,038
China	23,616,662	11,810,447	11,864,364
Japan	1,346,515	5,642,978	-
USA	266,165	2,823,268	4,441,936
European countries	69,640	57,924	2,643,232
Other regions	410,931	246,623	459,122
	32,225,631	25,580,012	25,337,692

40 Financial risk management, continued

(b) Credit risk, continued

Balance due from shared to the most significant client of the Group China Nuclear Corporation was KZT 11,346,709 thousand as at 31 December 2009 (2008: KZT 11,810,447 thousand; 2007: KZT 11,796,498 thousand).

The maximum exposure to credit risk for financial guarantees given to secure financing of certain related parties at the reporting date is KZT 57,168,822 thousand (2008: KZT 37,740,625 thousand; 2007: KZT 37,593,750 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 2009: 8%) 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.

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

'000 KZT	Provision for doubtful debts		Provision for doubtful debts		Provision for doubtful debts	
	Gross 31.12.2009	31.12.2009	Gross 31.12.2008	31.12.2008	Gross 31.12.2007	31.12.2007
Not past due	31,028,522	-	23,423,344	-	23,380,952	-
Past due 0-30 days	226,788	-	1,870,207	-	1,663,982	-
Past due 31-120 days	737,643	-	279,661	114,419	421,738	129,416
Past due more than 120 days	782,322	549,644	496,302	375,083	285,136	284,700
	<u>32,775,275</u>	<u>549,644</u>	<u>26,069,514</u>	<u>489,502</u>	<u>25,751,808</u>	<u>414,116</u>

40 Financial risk management, continued

(b) Credit risk, continued

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

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
Balance at 1 January	489,502	414,116	619,170
Increase in provision for doubtful debts	145,574	191,067	108,799
Amounts written off during the year	(85,432)	(115,681)	(313,853)
Balance at 31 December	549,644	489,502	414,116

(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.

The Group's undrawn borrowing facilities form part of managing the liquidity risk and are presented below:

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
- amount used	5,855,312	4,475,896	3,457,090
- amount unused	79,088	354,904	1,354,910
	5,934,400	4,830,800	4,812,000

40 Financial risk management, continued

(c) Liquidity risk

The following are the contractual maturities of financial liabilities:

	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
31.12.2009									
'000 KZT									
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
Preference 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	-	-	-	-
Secured 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
31.12.2008									
'000 KZT									
Non derivative financial liabilities									
Secured bank loans	63,429,310	65,970,131	16,676,471	14,921,413	19,616,078	2,642,159	3,171,763	4,328,500	4,613,747
Preference shares	264,827	264,827	-	-	52,965	52,965	52,965	52,965	52,967
Finance lease liabilities	238,733	238,733	72,741	28,796	60,146	48,490	23,531	5,029	-
Secured non bank loans	4,811,765	5,952,224	1,027,068	64,389	515,150	890,243	2,814,674	-	640,700
Other financial liabilities	28,273,845	97,893,505	-	-	66,786	1,791,261	3,497,620	4,093,620	88,444,219
Trade payables	6,452,330	6,452,330	3,183,093	3,262,070	7,167	-	-	-	-
		176,771,750	20,959,373	18,276,668	20,318,292	5,425,118	9,560,553	8,480,114	93,751,633

40 Financial risk management, continued

(c) Liquidity risk, continued

31.12.2007	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
'000 KZT									
Non derivative financial liabilities									
Secured bank loans	32,206,485	37,500,672	12,265,713	4,548,475	4,768,417	2,762,305	2,301,528	2,200,687	8,653,547
Preference shares	271,275	271,275	-	-	59,413	52,965	52,965	52,965	52,967
Finance lease liabilities	257,759	257,759	59,996	60,478	74,788	62,497	-	-	-
Unsecured fixed coupon bonds	2,000,000	2,165,000	82,500	2,082,500	-	-	-	-	-
Secured non bank loans	3,301,437	4,831,803	86,078	85,368	170,735	557,018	923,837	884,910	2,123,858
Trade payables	9,754,855	9,754,855	9,754,855	-	-	-	-	-	-
	54,781,3635		22,249,142	6,776,821	5,073,353	3,434,785	3,278,330	3,138,562	10,830,372

40 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.

(i) Currency Risk

The Company is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency, primarily, in US dollars ("USD"). The Group's functional currency was changed from USD to Kazakhstan Tenge in 2008.

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 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

40 Financial risk management, continued

Currency risk exposure

Exposure of the Group to currency risk was as follows:

	31.12.2009 USD-denominated	31.12.2008 USD-denominated	31.12.2007 KZT-denominated
Trade receivables	26,505,897	20,751,467	5,892,976
Other investments	-	18,816,010	-
Term deposits	20,813,711	-	-
Cash and cash equivalents	16,984,091	26,214,206	6,892,547
Total assets	64,303,699	65,781,683	12,785,523
Loans and borrowings	(52,880,615)	(64,068,004)	(5,001,626)
Other financial liabilities	(38,592,034)	(28,273,845)	-
Trade payables	(478,033)	(796,873)	(9,004,984)
Total liabilities	(91,950,682)	(93,138,722)	(14,006,610)
Net exposure	(27,646,983)	(27,357,039)	(1,221,087)

The following significant exchange rates applied during the year:

In KZT	Average rate			Reporting date spot rate		
	2009	2008	2007	31.12.2009	31.12.2008	31.12.2007
USD 1	147.50	120.30	122.55	148.36	120.77	120.30

Sensitivity analysis

A 10% weakening and 15% strengthening of the KZT against USD as at 31 December 2009 and 2008 and USD against KZT as at 31 December 2007 would increase (decrease) equity and profit/loss by the amounts shown below. This analysis is based on the assumption that any other variables (e.g., interest rates) remain constant. 2008 indices were reviewed on the same basis:

	Profit or loss '000 KZT
2009	
USD	
+10%	(2,764,698)
-15%	4,147,047
2008	
USD	
+10%	(2,735,704)
-15%	4,103,556
2007	
KZT	
+10%	122,109
-15%	(183,163)

40 Financial risk management, continued

(ii) 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. Fair value of the swap is not material for consolidated financial statements presentation as at 31 December 2009.

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:

'000 KZT	Nominal amount		
	31.12.2009	31.12.2008	31.12.2007
Fixed rate instruments			
Financial assets	28,391,407	23,979,582	8,375,742
Financial liabilities	(7,844,897)	(6,053,940)	(7,956,216)
	<u>20,546,510</u>	<u>17,925,642</u>	<u>419,526</u>
Floating rate instruments			
Financial liabilities	<u>(53,643,846)</u>	<u>(61,681,866)</u>	<u>(29,709,035)</u>

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) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant and that the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. The analysis is performed on the same basis for 2008 and 2007.

'000 KZT	Profit or loss	
	100 bp increase	25 bp decrease
2009		
Variable rate instruments	<u>(536,438)</u>	<u>134,110</u>
2008		
Variable rate instruments	<u>(616,819)</u>	<u>154,205</u>
2007		
Variable rate instruments	<u>(297,090)</u>	<u>74,273</u>

40 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.

'000 KZT	31.12.2009		31.12.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Secured bank loans	7,693,409	7,179,216	5,815,207	5,669,493	5,698,457	5,612,101
Secured non bank loans	174,435	113,962	1,124,088	1,035,687	100,430	74,143
Unsecured bonds	-	-	-	-	2,000,000	1,999,036
	<u>7,867,844</u>	<u>7,293,178</u>	<u>6,939,295</u>	<u>6,705,180</u>	<u>7,798,887</u>	<u>7,685,280</u>

(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).

	31.12.2009			31.12.2008			31.12.2007		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other financial liabilities	-	-	38,592,034	-	-	28,273,845	-	-	-

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at 31 December 2009 is presented as follows:

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
Beginning balance	28,273,845	-	-
Acquisition	-	28,273,845	-
Loss recognized in profit for the year	10,318,189	-	-
Ending Balance	<u>38,592,034</u>	<u>28,273,845</u>	<u>-</u>

The KZT 10,318,189 thousand change in carrying value was recorded to financial expense and foreign exchange. The value is calculated by discounting the redemption value of the shares based on the Group's borrowing rate and translating that from USD to the Company's functional currency. A reasonably possible change in the discount assumption is 1%. A 1% decrease would increase the carrying amount by KZT 3,339,142 thousand.

40 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 capital includes all capital and reserves of the Group. 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 ratio of not greater than 4:1, and EBIT / Net interest expense ratio of not less than 7:1.

The ratios at the year end were as follows:

Gearing ratio

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
Debt including:	99,573,825	96,753,653	37,765,681
Loans and borrowings	34,974,316	35,671,281	20,265,040
Other financial liabilities	38,592,034	28,273,845	-
Loans and borrowings	26,007,475	32,808,527	17,500,641
Equity	244,234,264	202,766,731	186,835,384
	0.41	0.48	0.20

Debt / EBITDA ratio

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
Debt including:	99,573,825	96,753,653	37,765,681
Loans and borrowings	34,974,316	35,671,281	20,265,040
Other financial liabilities	38,592,034	28,273,845	-
Loans and borrowings	26,007,475	32,808,527	17,500,641
EBITDA	60,629,889	35,055,233	47,177,309
	1.64	2.76	0.80

EBIT / Net interest expense ratio

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
EBIT	53,806,571	28,619,379	42,231,553
Net interest expense	4,723,041	2,068,164	(891,203)
	11.39	13.84	(47.39)

The Group calculates EBIT and EBITDA as follows:

Calculation of EBITDA	<u>31.12.2009</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
Gross profit	65,797,279	44,409,837	56,544,528
Finance costs other than interest charges	(1,181,865)	(854,569)	(829,489)
Administrative expenses	(8,984,719)	(12,920,966)	(11,989,385)
Selling expenses	(1,824,124)	(2,014,923)	(1,494,101)
EBIT	<u>53,806,571</u>	<u>28,619,379</u>	<u>42,231,553</u>
Depreciation, depletion and amortization	6,823,318	6,435,854	4,945,756
EBITDA	<u>60,629,889</u>	<u>35,055,233</u>	<u>47,177,309</u>

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

There were no changes in the Group's approach to capital management during the year.

41 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 position.

(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 Company'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 and normative 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 the certain expenses for CIT purposes, questions of application of the new tax code effective from 2009, in 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.

41 Contingencies, continued

(b) 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.

The local tax authority of Ust-Kamenogorsk assessed emissions tax based on hazardous waste emissions passports of the Group. The Group was sent a notification on 6 October 2008 by which obligated the Group to recalculate the payments for environment emissions for the first and second quarters of 2008, applying the revised rates adjusted for severity level of its emissions. The Group took legal action and the court found that the local tax authorities action was illegitimate. According to article 388 of the Civil Code of Republic of Kazakhstan, local tax authorities of Ust-Kamenogorsk are eligible to appeal the consummated court acts in the Supreme Court of the Republic of Kazakhstan up to 17 July 2010. Management believes that if an appeal is heard in the Supreme Court, the risk of an adverse decision to the Group is remote.

(ii) *New statutory tax law*

A new tax law took effect in Kazakhstan starting from 1 January 2009, which, now serves as the source of tax legislation that governs the Group's contractual subsoil use operations. The following are some of the more substantial changes in the new law:

- The tax law introduces the concept of constructive dividends. In particular, amounts paid between affiliated entities for services in excess of market prices may be treated as constructive dividends;
- The tax statute of limitations period is five years except for some subsoil users the tax statute of limitations period is equal to the duration of their subsoil contract plus five years following the expiration of the subsoil use contract;
- Starting from 2010, the excess of an input VAT may be used to settle the taxpayer's liabilities for other taxes, fines and penalties. The remaining VAT input balance is then refunded;
- The corporate income tax rate is 20% in 2009 and will drop to 17.5% in 2013 and 15% in 2014;
- Income as the result of a revaluation of assets performed for book purposes is not regarded as taxable income;
- The gain on the sale of an enterprise is defined as the excess of the selling price over net book value of the enterprise's net assets (assets less the enterprise's debt);
- Interest paid on a loan from any lender unrelated to the borrower is deductible in full, regardless of the residency of the lender. Interest paid on loans from related lenders and lenders residing in tax havens are subject to limitation;
- Tax losses can be carried forward for 10 years;
- Gains on disposals of shares and ownership stakes in a Kazakh subsoil user or any entity deriving more than 50% of its value from the property of a Kazakh subsoil user are taxable at the source of payment, even if the buyer is not a registered taxpayer in Kazakhstan. The seller must inform the buyer of its tax basis to enable the buyer to determine the gain, or the gain is subject to income tax withholding by the buyer. If the buyer fails to withhold and remit the tax, the tax authorities can pursue the tax from the Kazakh entity whose stakes are being sold or the Kazakh subsoil user whose property produces the value of the stakes being sold. However, gains on sales of stock sold on a stock exchange are exempt from income tax in Kazakhstan;
- The tax law introduced a new tax on subsoil users: a mineral extraction tax. This tax applies to the value or volume of extracted minerals;
- The VAT rate drops to 12% and the social tax rate is a flat 11% for both Kazakh and foreign employees. Starting from 2009, property tax levies only on taxpayers' immovable property at the rate of 1.5%.

The Group has preliminarily evaluated the potential impact of the above changes to its financial performance and position including the impact on deferred tax assets and liabilities incorporating estimated tax rates from 20% to 17.5% and 15% depending on future periods when the respective temporary differences will be deductible or taxable.

41 Contingencies, continued

(b) Taxation contingencies, continued

(iii) Excess profit tax

The new tax law changed the methodology for calculating excess profit tax ("EPT"). Under the new rules, subsoil users must pay EPT on the net income they earned from contractual operations in a calendar year, if the ratio of total annual revenues to annual EPT expenditures in that particular year exceeds 1.25. For the EPT 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 excess profit tax base of above 20% will not be reached for the foreseeable future.

(vi) 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 mineral deposits 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 2009, 23% for 2010, and 24% for subsequent years.

Estimated MET payments for the Group are significantly higher than previous system of royalties and are expected to offset phased reductions in the rate of corporate income tax.

(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 its entirety are KZT 35 billion. However, the Government of the Republic of Kazakhstan will not

41 Contingencies, continued

(c) Environmental obligations, continued

grant this amount; therefore, the issue on further financing of this program has no solution. 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 Chief 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. The 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. Further investigations may be initiated. The management believes that these investigations and allegations do not have any effect on the Group's financial statements, as they are initiated against former management and not the Company or the Group.

42 Related party transactions

(a) Control relationships

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 the Decree of the Government of the Republic of Kazakhstan National Atomic Company Kazatomprom Issues No. 1148 dated 22 July 1997. The Company is wholly-owned by the Government of the Republic of Kazakhstan represented by the State Property and Privatization Committee under the Ministry of Finance of the Republic of Kazakhstan. In accordance with the Decree of the Government No. 659 dated 27 May 1999 the State's

interest in the Company was transferred to the Ministry of Energy and Natural Resources of the Republic of Kazakhstan ("the Shareholder").

In accordance with the Order of the President of the Republic of Kazakhstan no. 669 dated 13 October 2008, on 19 January 2009 the National Welfare Fund Samruk-Kazyna became the sole owner of the Company.

(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).

	31.12.2009 '000 KZT	31.12.2008 '000 KZT	31.12.2007 '000 KZT
Salaries and bonuses	<u>1,016,559</u>	<u>910,299</u>	<u>1,055,232</u>

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 National Welfare Fund Samruk-Kazyna (the Group's parent) as detailed below.

42 Related party transactions

(c) Transactions with other related parties

(i) Revenue

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
<i>Sale of goods</i>						
Associates	6,074,453	863,590	427,917	199,185	1,043,046	2,771,318
Joint ventures	1,301,130	311,927	2,988,521	18,478	-	-
Entities under common control	108,718	-	52,901	-	-	-
Other	42,653	-	760,343	-	-	-
<i>Services provided:</i>						
Associates	10,129,236	5,539,319	5,967,774	2,303,853	5,388,368	855,047
Joint ventures	3,000,294	3,224,753	5,092,265	6,772,792	-	342
Dividends declared by associates	1,997,770	-	2,301,779	724,613	-	-
Entities under common control	10,310,719	496,911	9,207,526	481,443	6,452,972	456,565
Other	617,767	-	728,654	-	667,480	-
	<u>33,582,740</u>	<u>10,436,500</u>	<u>27,527,680</u>	<u>10,500,364</u>	<u>13,551,866</u>	<u>4,083,272</u>

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 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
<i>Purchase of goods:</i>						
Associates	27,422	6,296,056	10,630,945	630,443	10,245,700	86
Joint ventures	276,629	408,973	5,026,455	1,935	-	-
Entities under common control	506	39	-	44	-	-
<i>Services received:</i>						
Associates	1,568,648	376,990	12,722	199,434	2,640,457	5,334,379
Joint ventures	61,510	6,145	846,966	6,270	-	2,498
Entities under common control	3,482,030	846,607	2,498,760	908,595	1,400,533	327,862
Other	100,863	-	202,246	-	-	-
	<u>5,517,608</u>	<u>7,934,810</u>	<u>19,218,094</u>	<u>1,746,721</u>	<u>14,286,690</u>	<u>5,664,825</u>

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.

42 Related party transactions, continued

(c) Transactions with other related parties, continued

(iii) Loans given

'000 KZT	Amount loaned 2009	Outstanding balance 31.12.2009	Amount loaned 2008	Outstanding balance 31.12.2008	Amount loaned 2007	Outstanding balance 31.12.2007
<i>Associates</i>	-	-	2,220,000	2,220,000	-	-
	-	-	2,220,000	2,220,000	-	-

The loan issued to associate is interest free and is repayable upon written demand.

(iv) Transactions with Halyk Bank of Kazakhstan JSC

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2007	12	12	-
Placed/Accrued	7,795,822	7,713,375	82,447
Withholding tax	(12,343)	-	(12,343)
Foreign exchange difference	(114,588)	(114,425)	(163)
Withdrawn	(7,668,903)	(7,598,962)	(69,941)
As at 31 December 2007	-	-	-
Placed/Accrued	-	-	-
Withholding tax	-	-	-
Withdrawn	-	-	-
As at 31 December 2008	-	-	-
Placed/Accrued	34,883,297	34,080,997	802,300
Withholding tax	(116,924)	-	(116,924)
Foreign exchange difference	1,477,800	1,472,315	5,485
Withdrawn	(28,174,524)	(27,511,965)	(662,559)
As at 31 December 2009	8,069,637	8,041,335	28,302

Loans

'000 KZT	Gross	Principal	%
As at 1 January 2007	2,063,800	2,060,000	3,800
Received/Accrued	9,949,220	9,840,000	109,220
Repaid	(8,398,117)	(8,300,000)	(98,117)
As at 31 December 2007	3,614,903	3,600,000	14,903
Received/Accrued	9,689,624	9,411,556	278,068
Foreign exchange difference	(4,774)	(4,748)	(26)
Repaid	(11,235,725)	(10,956,808)	(278,917)
As at 31 December 2008	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 31 December 2009	-	-	-

42 Related party transactions, continued

(c) Transactions with other related parties, continued

Current account

'000 KZT	2009	2008	2007
As at 31 December	9,590,325	754,964	1,161,828

(v) Transactions with subsidiary insurance company of Halyk Bank of Kazakhstan JSC, "Halyk-Kazakhinstrakh" JSC

Revenue

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services provided	8,837	2	-	-	-	-

Expenses

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services received	3,279	-	3,156	183	27,534	14,790

(vi) Transactions with BTA Bank JSC

In February 2009 the National Welfare Fund Samruk-Kazyna acquired a 75.1% interest in BTA Bank JSC which resulted in BTA Bank JSC and its subsidiaries being treated as related parties.

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2007	1,014,932	1,014,784	148
Placed/Accrued	110,565,399	109,472,024	1,093,375
Withholding tax	(148,087)	-	(148,087)
Foreign exchange difference	(848,100)	(841,262)	(6,838)
Withdrawn	(106,618,899)	(105,779,853)	(839,046)
As at 31 December 2007	3,965,245	3,865,693	99,552
Placed/Accrued	130,700,214	130,534,803	165,411
Withholding tax	(37,259)	-	(37,259)
Foreign exchange difference	(28,071)	(28,085)	14
Withdrawn	(134,109,320)	(133,894,513)	(214,807)
As at 31 December 2008	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 31 December 2009	96,916	90,863	6,053

42 Related party transactions, continued

(c) Transactions with other related parties, continued

Loans

'000 KZT	Gross	Principal	%
As at 1 January 2007	3,212,717	3,211,512	1,205
Received/Accrued	6,483,340	6,414,599	68,741
Repaid	(9,412,647)	(9,343,563)	(69,084)
Foreign exchange difference	(53,746)	(53,746)	-
As at 31 December 2007	229,664	228,802	862
Received/Accrued	942,841	916,978	25,863
Repaid	(728,941)	(705,380)	(23,561)
As at 31 December 2008	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 31 December 2009	973,536	919,180	54,356

Current account

'000 KZT	2009	2008	2007
As at 31 December	258,486	868,835	739,205

(vii) Transactions with Temirbank JSC

Deposits

'000 KZT	Gross	Principal	%
As at 1 January 2007	-	-	-
Placed/Accrued	43,940,545	43,101,895	838,650
Withholding tax	(126,392)	-	(126,392)
Foreign exchange difference	(170,125)	(174,089)	3,964
Withdrawn	(43,644,028)	(42,927,806)	(716,222)
As at 31 December 2007	-	-	-
Placed/Accrued	3,044,564	3,032,200	12,364
Withholding tax	(1,854)	-	(1,854)
Foreign exchange difference	-	-	-
Withdrawn	(3,042,710)	(3,032,200)	(10,510)
As at 31 December 2008	-	-	-
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 31 December 2009	-	-	-

Current account

'000 KZT	2009	2008	2007
As at 31 December	1,642	3,186	1,186

42 Related party transactions, continued

(c) Transactions with other related parties, continued

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

Revenues

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services provided	16,431	329	-	-	4,040	2,230

Expenses

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services received	12,489	13	530	413	68,550	467

(ix) Transactions with BTA Securities JSC

Expenses

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services received	2,460	-	40,597	3,003	6,503	282

(x) Transactions with GSM Kazakhstan Kazakhtelecom JSC

Revenue

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services provided	6,314	2,534	3,878	2,725	3,036	2,273

Expenses

'000 KZT	Transaction value 2009	Outstanding balance 31.12.2009	Transaction value 2008	Outstanding balance 31.12.2008	Transaction value 2007	Outstanding balance 31.12.2007
Services received	12,193	364	18,886	380	8,625	508

(d) Pricing policies

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

43 Investments in subsidiaries

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

	Country of incorporation	31.12.2009 Ownership/ Voting	31.12.2008 Ownership/ Voting	31.12.2007 Ownership/ Voting	01.01.2007 Ownership/ Voting
MAEK-Kazatomprom LLC	Kazakhstan	100%	100%	100%	100%
GRK LLC	Kazakhstan	100%	100%	100%	100%
Kazatomprom - Demeu LLC	Kazakhstan	90%	90%	90%	100%
Bailanys NAC LLC	Kazakhstan	100%	100%	100%	100%
Taikonyr JSC	Kazakhstan	100%	100%	100%	100%
Korgan KAP LLC	Kazakhstan	100%	100%	100%	100%
Appak LLC	Kazakhstan	65%	65%	65%	65%
Semizbay-U LLC	Kazakhstan	51%	100%	100%	100%
Ulba Metallurgical Plant JSC	Kazakhstan	90.2%	90.2%	90.2%	90.2%
Volkovgeology JSC	Kazakhstan	90%	90%	90%	90%
Institute of High Technologies LLC	Kazakhstan	100%	100%	100%	100%
Karatau LLP	Kazakhstan	-	-	-	100%

During 2008 the Group sold a portion of its interest in Semizbay-U LLC (Note 6).

44 Subsequent events

In March 2010, the Group agreed to settle a receivable from Kyzyltu LLP, a jointly controlled entity, by receiving an equal amount of the charter capital of Kyzyltu LLP (KZT 595 million). This resulted in an increase of the Company's investment in Kyzyltu LLP from 50% to 76%.

On 24 March 2010, the Company and Sumitomo Corporation signed a charter document on establishment of JV "Summit Atom Rare Earth Company" (SARECO) that would operate in the rare and rare-earth metals industry. The Company and Sumitomo Corporation will hold 51% and 49% ownership in the joint venture, respectively. The purpose of the joint venture is the establishment of vertically integrated company producing high value added rare earth products. The joint venture will construct and commence operations of ore-dressing and processing enterprise, hydrometallurgical production of rare metal concentrates, chemical production on decay of rare metals into individual metal oxides. The joint venture will export the produced goods as well.

The Company raised a claim against Ken Dala.KZ JSC with the Special Interregional Economical Court of South-Kazakhstan region of RK to cancel the additional agreement #1 to the Contract #1796 dated 8 July 2005, signed between Ministry of Energy and Mineral Resources and the Company and the agreement #443/NAK-5 dated 30 December 2005 signed between Ken Dala.KZ JSC and the Company. This additional agreement permitted the subsoil use license for Mynkuduk mine in the Centralnyi area to Ken Dala.KZ JSC. The claim was settled in favor of the Company. In accordance with court decision #23-229/10 dated 18 February 2010 the permission to use the subsoil use license by Ken Dala.KZ JSC for the Mynkuduk mine was revoked.