

CHAGALA GROUP LIMITED

Unaudited Interim Condensed
Consolidated Financial Statements

For the six months ended 30 June 2011

CHAGALA GROUP LIMITED

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CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Financial Position

as at 30 June 2011 and 31 December 2010

<i>In thousands of US Dollars</i>	Note	30 June 2011 unaudited	31 December 2010 audited
ASSETS			
Non-Current Assets			
Property, plant and equipment, net	5	146,645	141,864
Intangible assets other than goodwill		609	604
Capital work-in-progress		24,874	21,155
Long-term prepayments		6,071	3,089
Investment in an associate		45	47
Deferred transaction costs		-	402
Restricted cash		40	40
Goodwill		2,182	2,182
Deferred tax asset		3,574	3,477
		184,040	172,860
Current Assets			
Inventories	6	3,191	2,975
Trade accounts receivable		4,002	6,739
Taxes prepaid		3,154	3,632
Other prepayments		393	384
Cash and cash equivalents	8	11,799	13,582
Due from related parties outside the Group	11	-	74
		22,539	27,386
TOTAL ASSETS		206,579	200,246
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		8,503	8,503
Additional paid-in capital		80,293	80,293
Retained earnings		23,262	20,286
Revaluation reserve, net of deferred tax		65,485	65,390
Other reserves		474	255
Foreign currency translation reserve		(21,378)	(22,549)
		156,639	152,178
Non-controlling interests	5	5,254	5,327
TOTAL EQUITY		161,893	157,505
Non-Current Liabilities			
Long-term borrowings	7	20,957	20,080
Derivative financial instruments		557	558
Deferred tax liabilities		13,772	13,730
		35,286	34,368
Current Liabilities			
Current portion of long-term borrowings	7	6,856	5,435
Interest payable		86	80
Trade accounts payable		1,133	1,594
Advances from customers		31	39
Taxes payable		585	890
Other payables and accruals		709	292
Due to related parties outside the Group	11	-	43
		9,400	8,373
TOTAL LIABILITIES		44,686	42,741
TOTAL EQUITY AND LIABILITIES		206,579	200,246

Signed and authorized for release on 22 August 2011:

Chief Executive Officer

Francisco Parrilla

Chief Financial Officer

Yermek Kudabayev

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Income Statement

for the six months ended 30 June

<i>In thousands of US Dollars</i>	Note	2011 unaudited	2010 unaudited
Room and rent revenue	3	12,826	12,072
Food and beverages revenue	3	4,472	4,446
Other operating revenue	3	1,927	1,210
TOTAL REVENUE		19,225	17,728
Utilities, cleaning and maintenance		2,470	2,287
Costs of food and beverages		1,491	1,411
Salaries and employee benefits		5,110	5,120
General and administrative expenses		2,001	1,964
Depreciation and amortization		3,202	2,520
Operating Profit		4,951	4,426
Net foreign currency translation gain		(57)	(58)
Impairment of land, buildings and goodwill		-	338
Loss on disposal of property, plant and equipment		87	15
Finance income		(40)	(45)
Finance expenses		815	1,093
Other gain		(3)	-
Profit before income tax expense		4,149	3,083
Income tax expense	4	1,157	1,100
Net profit for the period		2,992	1,983
Attributable to:			
Equity holders of the parent		3065	1,888
Non-controlling interests		(73)	95
		2,992	1,983
Earnings per share (in US Dollars):			
basic and diluted, for profit for the year			
attributable to equity holders of the parent		0.04	0.02

Signed and authorized for release on 22 August 2011:

Chief Executive Officer

Francisco Parrilla

Chief Financial Officer

Yermek Kudabayev

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June

<i>In thousands of US Dollars</i>	Note	2011 unaudited	2010 unaudited
Net profit/(loss) for the year		2,992	1,983
Other comprehensive income/(loss):			
Foreign currency translation gain/(loss)		1,171	1,101
Other comprehensive loss, net of tax		198	(319)
Total comprehensive income/(loss) for the year, net of tax		4,361	2,765
Attributable to:			
Equity holders of the parent		4,434	2,702
Non-controlling interests		(73)	63
		4,361	2,765

Signed and authorized for release on 22 August 2011:

Chief Executive Officer

Francisco Parilla

Chief Financial Officer

Yermek Kudabayev

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 30 June

<i>In thousands of US Dollars</i>	Note	2011 unaudited	2010 unaudited
Cash flows from operating activities			
Profit before income tax expense		4,149	3,083
Adjustments for:			
Depreciation		3,063	2,398
Amortization		139	122
Unrealized foreign exchange loss / (gain)		186	(201)
Reversal of allowance for doubtful debts		(14)	(48)
Interest expense, net		776	654
Accrual of share based payments reserve		219	-
Derivative instruments at fair value		(1)	394
Loss on disposal of property, plant and equipment		87	15
Impairment of property, plant and equipment		-	338
Cash from operations before working capital changes		8,604	6,755
(Increase) / decrease in operating assets:			
Inventories		(191)	(248)
Trade accounts receivable		2,681	(304)
Amounts due from related parties, other than loans		74	(5)
Prepayments and other receivables		746	(250)
Increase / (decrease) in operating liabilities:			
Accounts payable		(452)	875
Amounts due to related parties, other than loans		(43)	20
Other payables		88	(662)
Cash generated from operations		11,507	6,181
Interest paid		(887)	(765)
Income taxes paid		(771)	(167)
Net cash provided by operating activities		9,849	5,249
Cash flows from investing activities			
Purchases of property, plant and equipment		(13,624)	(6,860)
Acquisition of share in associated company		-	(12)
Acquisition of intangible assets		(140)	(102)
Net cash used in investing activities		(13,764)	(6,974)
Cash flows from financing activities			
Repayment of borrowings		(2,613)	(949)
Receipt of long-term borrowings		4,948	-
Expenses related to loan		(31)	(281)
Payment of dividends	12	(192)	-
Net cash used in financing activities		2,112	(1,230)
Net increase in cash and cash equivalents		(1,803)	(2,955)
Effect of exchange rate changes on cash and cash equivalents		20	501
Cash and cash equivalents at the beginning of the period	8	13,582	9,482
Cash and cash equivalents at the end of the period	8	11,799	7,028

Signed and authorized for release on 22 August 2011:

Chief Executive Officer

Francisco Parrilla

Chief Financial Officer

Yermek Kudabayev

CHAGALA GROUP LIMITED

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June

In thousands of US Dollars

Attributable to equity holders of the parent

	Share Capital	Additional paid in Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Other Reserves	Total	Non-controlling interests	Total Equity
As at 1 January 2011 (audited)	8,503	80,293	65,390	(22,549)	20,286	255	152,178	5,327	157,505
Profit for the year	-	-	-	-	3,065	-	3,065	(73)	2,992
Other comprehensive income	-	-	198	1,171	-	-	1,369	-	1,369
Total comprehensive income	-	-	198	1,171	3,065	-	4,434	(73)	4,361
Other movements	-	-	(103)	-	103	-	-	-	-
Share-based payment transactions (Note 9)	-	-	-	-	-	219	219	-	219
Dividends (Note 13)	-	-	-	-	(192)	-	(192)	-	(192)
As at 30 June 2011 (unaudited)	8,503	80,293	65,485	(21,378)	23,262	474	156,639	5,254	161,893

Attributable to equity holders of the parent

	Share Capital	Additional paid in Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Other Reserves	Total	Non-controlling interests	Total Equity
As at 1 January 2010 (audited)	8,503	80,293	44,676	(23,385)	16,198	-	126,285	5,261	131,546
Profit for the year	-	-	-	-	1,888	-	1,888	95	1,983
Other comprehensive income / (loss)	-	-	(348)	1,101	29	-	782	-	782
Total comprehensive income/ (loss)	-	-	(348)	1,101	1,917	-	2,670	95	2,765
Other movements	-	-	(68)	-	68	-	-	-	-
As at 30 June 2010 (unaudited)	8,503	80,293	44,260	(22,284)	18,183	-	128,955	5,356	134,311

Signed and authorized for release on 22 August 2011:

Chief Executive Officer

Francisco Parrilla

Chief Financial Officer

Yermek Kudabayev

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

Chagala Group Limited (the “Company” or “Parent”) was incorporated as a private company in the British Virgin Islands (“BVI”) on 20 February 2006. The Company was formed for the principal purpose of acting as the parent company of the group of subsidiaries based in the Republic of Kazakhstan.

The principal activities of the Company and its controlled subsidiaries (collectively referred to as the “Group”) consist of (i) ownership and management of hotels, serviced apartments, office accommodation and other commercial properties (ii) restaurant operations and (iii) development of commercial real estate in Western Kazakhstan.

On 27 February 2007 the Company listed its Global Depository Receipts (“GDRs”), each representing four ordinary shares, through an initial public offering (“IPO”) on the London Stock Exchange, and successfully floated 57.9% of its ordinary shares. Shares of the Company are publicly traded.

The Company’s registered address is c/o Offshore Incorporations Limited, PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

During 2010 Chagala Group Limited established a Netherlands structure where two new companies were established: Chagala Cooperatief U.A. (the “Coop”) and Chagala International Holding B.V. (the “BV”) under Chagala Group Limited to facilitate the Group reorganization. On 31 December 2010 the Share Premium Agreement was signed between Chagala Group Limited, the Coop and the BV where the Kazakh subsidiaries will be transferred by Chagala Group Limited to the BV on behalf of the Coop as a contribution in kind by way of share premium contribution. As a result, the BV will hold the equity in the group of Kazakh subsidiaries once the transfer registration procedures are completed in Kazakhstan. There was no significant impact on the consolidated financial statement as the result of the performed reorganization procedures.

The Kazakh entities transferred by Chagala Group Limited to the BV and related share of voting interest are as follows:

Kazakh entities	Region	Percentage Ownership
Chagala Management LLP	Almaty	100%
Chagala Zere Malls LLP	Almaty	100%
Chagala Newrest LLP	Almaty	49%
Caspi Limited LLP	Atyrau	100%
Aktau Development Company LLP	Aktau	100%
Bautino Development Company LLP	Aktau (Bautino)	100%
Bayan Limited LLP	Uralsk	100%
Chagala Aksai LLP	Uralsk (Aksai)	50.1%

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY’S ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2010.

2.2 New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group’s consolidated annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES *continued* IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment to the interpretation had no effect on the financial position or performance of the Group.

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements.

IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group's primary reporting format is business segments. The operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

3 OPERATING SEGMENT INFORMATION *continued*

The Group is organized into business units based on services rendered and has two reportable operating segments: room and rent operations and food and beverages operations. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Other operating segments are not material to the Group and are not considered to be reportable segments.

The following table presents information regarding the Group's business segments:

Six months ended 30 June 2011 (unaudited)	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
<i>In thousands of US Dollars</i>					
Revenue					
Sales to external customers	12,826	4,472	1,927	-	19,225
Inter-segment sales	25	24	64	(113) ¹	-
Total revenue	12,851	4,496	1,991	(113)	19,225
Results					
Segment results before depreciation, amortization, impairment and finance results	9,824	245	1,797	(1,712) ²	10,154
Depreciation and amortization	(2,582)	(289)	(195)	(136)	(3,202)
Impairment of property, plant and equipment and goodwill	-	-	-	-	-
Loss on disposal of property, plant and equipment	(62)	(24)	(1)	-	(87)
Finance expense	(740)	-	-	(75)	(815)
Other gain	-	-	-	100	100
Segment profit/(loss)	6,440	(68)	1,601	(1,823)	6,150

1. Inter-segment revenues are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 2,001 thousand) and salaries and employee benefits (USD 1,724 thousand).

Six months ended 30 June 2010 (unaudited)	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
<i>In thousands of US Dollars</i>					
Revenue					
Sales to external customers	12,072	4,446	1,210	-	17,728
Inter-segment sales	21	16	46	(83) ¹	-
Total revenue	12,093	4,462	1,256	(83)	17,728
Results					
Segment results before depreciation, amortization, impairment and finance results	8,893	785	1,069	(1,837) ²	8,910
Depreciation and amortization	(2,037)	(267)	(184)	(32)	(2,520)
Impairment of property, plant and equipment and goodwill	(338)	-	-	-	(338)
Loss on disposal of property, plant and equipment	(9)	-	-	(6)	(15)
Finance expenses	(528)	-	-	(564)	(1,093)
Other gain	-	-	-	103	1,050
Segment profit/(loss)	5,981	517	885	(2,439)	5,047

1. Inter-segment revenues are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 1,964 thousand) and salaries and employee benefits (USD 1,754 thousand).

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

3 OPERATING SEGMENT INFORMATION *continued*

The following table presents operating assets of the Group's operating segments as at 30 June 2011 and 31 December 2010:

Operating assets	Room and rent	Food and beverages	Other	Adjustments and eliminations	Total operations
<i>In thousands of US Dollars</i>					
At 30 June 2011 (unaudited)	145,171	10,577	2,554	47,847 ¹	206,150
At 31 December 2010 (audited)	143,775	13,426	1,510	39,750 ²	198,461

1. Segment assets do not include property, plant and equipment, inventories and long term prepayments (USD 22,478 thousand), cash and cash equivalents (USD 11,799 thousand), restricted cash (USD 40 thousand), goodwill (USD 2,182 thousand), trade receivables (USD 4,002 thousand), intangible assets other than goodwill (USD 609 thousand), other prepayments (USD 393 thousand), deferred tax assets (USD 3,574 thousand), taxes prepaid (USD 3,154 thousand), investment in an associate (USD 45 thousand) as these assets are managed on a group basis.
2. Segment assets do not include property, plant and equipment (USD 9,343 thousand), long-term investments (USD 30), cash and cash equivalents (USD 13,582 thousand), restricted cash (USD 40 thousand), goodwill (USD 2,182 thousand), trade receivables (USD 6,739 thousand), intangible assets other than goodwill (USD 604 thousand), other prepayments (USD 1,047 thousand), deferred tax assets (USD 2,163 thousand), deferred transaction costs (USD 376 thousand), taxes prepaid (USD 3,570 thousand) and due from related parties (USD 74 thousand) as these assets are managed on a group basis.

4 INCOME TAX

Income tax expense for the six months ended 30 June comprised the following:

<i>In thousands of US Dollars</i>	2011 unaudited	2010 unaudited
Income tax expense – current	1,293	1,048
Deferred income tax benefit	(136)	52
Income tax expense	1,157	1,100

5 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011 the Group spent USD 13,624 thousand (2010: USD 6,860 thousand) on acquisition of property, plant and equipment (including capital work in progress and long-term prepayments) where USD 9,090 thousand are related to Ural residence building (2010: USD 5,422).

The amount of borrowing costs capitalized during the six months ended 30 June 2011 was USD 586 thousand (2010: 178). The weighted average interest capitalization rate comprised 6%.

Assets with a net book value of USD 239 thousand were disposed of by the Group during the six months ended 30 June 2011 (2010: USD 159 thousand), resulting in a net loss on disposal of USD 87 thousand (2010: USD 15 thousand).

6 INVENTORIES

During the six months ended 30 June 2011, the Group wrote down USD 5,244 thousand of inventories that had been consumed by operations.

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

7 LOANS AND BORROWINGS

As at the end of the period, long-term loans and borrowings comprised the following:

	30 June 2011 unaudited	31 December 2010 audited
<i>In thousands of US Dollars</i>		
Variable borrowings	-	7,901
<i>Weighted average interest rate</i>	<i>0.00%</i>	<i>8.99%</i>
Fixed borrowings *	20,957	12,116
<i>Weighted average interest rate</i>	<i>10.90%</i>	<i>10.68%</i>
Non-Interest-bearing loans and borrowings	-	63
	20,957	20,080

* includes the effect of related interest rate swaps

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any costs related to arrangement of borrowings. The amortisation is included in finance expenses in the income statement or capitalised if directly attributable to the construction of an asset.

	30 June 2011 unaudited	31 December 2010 audited
<i>In thousands of US Dollars</i>		
Principal debt as at 31 December	22,462	21,553
Total fees incurred on arrangement of borrowings	(2,320)	(1,958)
Less fees amortised and allocated to finance expenses	381	291
Less fees amortised and allocated to the cost of construction	434	194
	20,957	20,080

Long-term loans and borrowings are repayable as follows:

	30 June 2011 unaudited	31 December 2010 audited
<i>In thousands of US Dollars</i>		
Current portion, including interest payable	6,942	5,515
Maturity between 1 and 2 years	6,535	5,656
Maturity between 2 and 5 years	15,927	14,940
Maturity over 5 years	-	957
Total long-term portion	22,462	21,553

As at 30 June 2011 the total amount of non-interest bearing loan of Agip KCO is USD 323 thousand (31 December 2010: USD 383 thousand).

On 12 June 2008 the Group entered into the USD 34,307 thousand credit facility agreement with HSBC Bank Kazakhstan and Raiffeisen Bank International AG (the "Lenders"). As at 30 June 2011 the Group received the total amount of credit facility.

Also, as required by the credit facility agreement, the Group entered into interest rate swap agreements with HSBC Bank Plc (UK), whereby the Group pays a fixed rate equal to 2.67%-2.85% plus 4.75%-5.75% instead of a floating interest rate of 3m LIBOR plus 4.75%-5.75% on the notional amount. As at 30 June 2011 the notional amount under the interest rate swap agreements is USD 28,997 thousand (31 December 2010: USD 16,551 thousand). The fair value of the interest rate swap instruments was recognized as a liability in the amount of USD 557 thousand as at 30 June 2010 (31 December 2010: USD 558 thousand) with respective charge to finance expenses. During the six months ended 30 June 2011, interest rate swap agreements were amended to replace HSBC Bank Plc (UK) by HSBC Bank Kazakhstan.

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

7 LOANS AND BORROWINGS *continued*

The credit facility is US dollars and secured as following:

- Legal mortgages over immovable properties in favour of HSBC Bank Kazakhstan JSC (registered with related authority of the Republic of Kazakhstan);
- Pledge over bank accounts of the all subsidiaries being borrowers under the credit facility agreement (registered with related authority of the Republic of Kazakhstan);
- Pledge of shares of Chagala Group Limited in subsidiaries being borrowers (Aktau Development Company LLP, Bautino Development Company LLP, Bayan Limited LLP, Caspi Limited LLP) under the credit facility agreement.

During the six months ended 30 June 2011, the Group agreed with the Lenders to release certain immovable properties from the legal mortgages (the fair value of the pledged immovable properties as of 31 December 2011 was USD 108,693 thousand where USD 39,194 thousand was related to immovable properties to be released).

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

<i>In thousands of US dollars</i>	30 June 2011 unaudited	31 December 2010 audited
Short-term deposits	1,026	8,000
Cash in current bank accounts	10,724	5,555
Cash on hand	49	27
	11,799	13,582

9 SHARE-BASED PAYMENT

Ordinary shares issued and fully paid

At 30 June 2011 and 31 December 2010, the authorised, issued and fully paid shares of the Group consist of 85,027,302 shares of USD 0.10 each.

Nature and purpose of other reserves

Share-based payment plans

On 19 April 2011 the Group granted options to its senior management and directors to subscribe for 680,000 ordinary shares in the Group. The options were granted under the established Chagala Group Limited share option scheme (the "Plan"). Each of the options has an exercise price of USD 0.875 and must be exercised by 9 May 2015. The Company listed Global Depository Receipts which each represent 4 shares and accordingly, the exercise price is equivalent to USD 3.50 per GDR. The granted options were vested immediately at the grant date.

The contractual term of each option granted is four years. There are no cash settlement alternatives.

The fair value of the options is estimated at the grant date using the Black-Scholes-Merton pricing model, taking into accounts the terms and conditions upon which the instruments were granted. The main inputs to the model used for the Plan are: expected volatility – 50%; risk-free interest rate – 1.59%; weighted average share price – 0.875 USD per share (at the grant date). The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

9 SHARE-BASED PAYMENT *continued*

Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	30 June 2011 unaudited	30 June 2010 unaudited
Weighted average number of ordinary shares outstanding (thousands)	85,027	85,027
<i>Effect of dilution</i>		
Share options (thousands)	-	-
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (thousands)	85,027	85,027
Profit for the period attributable to equity holders of the parent (in thousand US Dollars)	2,992	1,888
Basic and diluted earnings per share, US Dollars	0.04	0.02

In 2011 and 2010 share options were not considered dilutive as the exercise price of the share options exceeded the average market price of ordinary shares during the years

10 COMMITMENTS AND CONTINGENCIES

The Group had the following contractual commitments for the purchase property, plant and equipment from the third parties:

	30 June 2011 unaudited	31 December 2010 audited
<i>In thousands of US Dollars</i>		
Caspi Limited LLP		
Ural residence building	3,084	9,080
Masterplan	556	21
Townhouses	10,345	-
Aktau Development Company LLP		
Hotel and apartments	-	197
Other projects	138	603
	14,124	9,901

11 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The following table provides the total amount of transactions which have been entered into with related parties during the six month periods ending 30 June 2011 and 30 June 2010 as well as balances with related parties as of 30 June 2011 and 31 December 2010:

Statement of financial position

	At 30 June 2011 unaudited	At 30 June 2010 unaudited
<i>In thousands of US Dollars</i>		
Amounts due from related parties, including loans	-	202
Allowance for doubtful accounts	-	(128)
	-	74
Amounts due to related parties, including loans	-	43
	-	43

CHAGALA GROUP LIMITED

Notes to the Condensed Consolidated Interim Financial Statements

10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES *continued*

Income Statement

	For six months ended 30 June 2011 unaudited	For six months ended 31 December 2010 unaudited
<i>In thousands of US Dollars</i>		
Sales to related parties	-	40

Key Management Personnel

	For six months ended 30 June 2011 unaudited	For six months ended 31 December 2010 unaudited
<i>In thousands of US Dollars</i>		
Remuneration	503	646
Interest free short-term loans and advances provided to key management personnel	24	27

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling eight persons as at 30 June 2011 (2010: seven). The total compensation to key management personnel is included in Salaries and employees benefits in the consolidated income statement.

Terms and conditions of transactions with related parties

The Group provides a 30% discount (applied to the RACK rates) on hotel services to related parties. Outstanding balances at year-end are interest free and settlement occurs via bank transfer. There were no guarantees provided for any related party payable.

This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

12 DIVIDENDS PAID AND PROPOSED

In May 2011 shareholders of Chagala Aksai LLP decided to pay dividends of USD 384 thousand where USD 192 thousand were related to the Group and USD 192 thousand were paid out to other shareholders.

13 EVENTS AFTER THE REPORTING PERIOD

On 15 July 2011 the shareholders of the Group approved the payment of a dividend of 3.5 cents per share to shareholders entered on the register of members of the Company on 17 July 2011. As a result, during July 2011 the Company made payment of dividends in the amount of USD 2,975,955.58.

On 20 April 2011 the Group made a decision to merge Aktau Development Company LLP and Bautino Development Company LLP with the purpose of optimisation of operations as these Companies are located at the same region (Aktau). This merge comes into effect on 11 August 2011 by issuance of order by Justice Department of Mangistau oblast.