CHAGALA GROUP LIMITED

Consolidated Financial Statements

For the year ended December 31, 2009
with Independent Auditors' Report

Pages

Independent Auditors' Report

Consolidated Financial Statements

ERNST & YOUNG

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Independent auditors' report

To the Shareholders of Chagala Group Limited:

We have audited the accompanying consolidated financial statements of Chagala Group Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Paul Cohn
Audit Partner

Aisulu Narbayeva
Auditor

Auditor Qualification Certificate
№ 0000137 dated 21 October 1994

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

2 April 2010

CHAGALA GROUP LIMITED

Consolidated Statement of Financial Position

As at December 31, 2009

In thousands of US Dollars	Note	2009	2008
ASSETS			
Non-Current Assets			
Property, plant and equipment	8	106,043	100,565
Intangible assets other than goodwill		664	976
Capital work in progress	8	21,571	21,958
Long term prepayments	8	5,066	11,868
Deferred transaction costs		1,165	1,453
Restricted cash		34	38
Goodwill	9	2,165	2,708
Deferred tax asset	20	2,163	-
		138,871	**139,566**
Current Assets			
Inventories	10	2,588	2,965
Trade accounts receivable	11	5,331	6,730
Taxes prepaid	12	3,426	2,703
Other prepayments	13	538	592
Cash and cash equivalents	14	9,482	8,205
Due from related parties outside the Group	21	323	641
		21,688	**21,836**
TOTAL ASSETS		**160,559**	**161,402**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	15	8,503	8,503
Additional paid-in capital		80,293	80,293
Retained earnings		16,198	9,291
Revaluation reserve		44,676	33,714
Other Reserves	15	-	301
Foreign currency translation reserve		(23,385)	2,472
		126,285	**134,574**
Minority interests	6	**5,261**	**5,844**
TOTAL EQUITY		**131,546**	**140,418**
Non-Current Liabilities			
Long-term borrowings	16	16,343	7,962
Derivative financial instruments	22	232	-
Deferred tax liabilities	20	6,321	6,093
		22,896	**14,055**
Current Liabilities			
Current portion of long-term borrowings	16	3,079	569
Interest payable	16	71	56
Trade accounts payable	17	1,278	4,974
Advances from customers		98	39
Taxes payable	18	822	446
Other payables and accruals	24	769	845
		6,117	**6,929**
TOTAL LIABILITIES		**29,013**	**20,984**
TOTAL EQUITY AND LIABILITIES		**160,559**	**161,402**

Signed and authorized for release on behalf of the Board of Directors of Chagala Group Limited on April 2, 2010.

Chief Executive Officer Tim Abson

Chief Financial Officer Andrea Bucekova

CHAGALA GROUP LIMITED

Consolidated Income Statement

For the year ended December 31, 2009

	Note	2009	2008
Room and rent revenue	7	21,447	18,752
Food and beverages revenue	7	8,188	7,983
Other operating revenue	7	2,723	1,399
TOTAL REVENUE		**32,358**	**28,134**
Utilities, cleaning and maintenance		3,880	3,243
Costs of food and beverages		2,723	3,244
Salaries and employee benefits	19	8,399	9,308
General and administrative expenses		3,131	5,117
Depreciation and amortization	8	3,751	3,869
Other income		(3)	(75)
Operating Profit		**10,477**	**3,428**
Net foreign currency translation losses		(138)	(274)
Impairment of land, buildings and goodwill	8	(5,422)	(3,897)
Loss on disposal of property, plant and equipment	8	(838)	(168)
Finance income		28	333
Finance expenses	23	(605)	(338)
Other gain	6,22	1,351	-
Other loss		(191)	-
Profit / (loss) before income tax expense		**4,662**	**(916)**
Income tax benefit	20	2,560	1,483
Net profit for the year		**7,222**	**567**
Attributable to:			
Equity holders of the parent		6,966	1,171
Minority interests		256	(604)
		7,222	**567**
Earnings per share (in US Dollars)			
• basic and diluted, for profit for the year attributable to equity holders of the parent		0.08	0.01

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Chief Executive Officer — Tim Abson

Chief Financial Officer — Andrea Bucekova

CHAGALA GROUP LIMITED

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009

In thousands of US Dollars	Note	2009	2008
Net profit for the year		**7,222**	**567**
Other comprehensive loss:			
Foreign currency translation loss		(25,857)	(89)
Revaluation of land and buildings	8	14,409	(12,901)
Income tax effect		(2,026)	9,202
Revaluation of land and buildings, net of tax		12,383	(3,699)
Other comprehensive (loss) / income for the year, net of tax		(59)	107
Total comprehensive loss for the year, net of tax		**(6,311)**	**(3,114)**
Attributable to:			
Equity holders of the parent		(7,988)	(2,590)
Minority interests		1,677	(524)
		(6,311)	**(3,114)**

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Chief Executive Officer Tim Abson

Chief Financial Officer Andrea Bucekova

CHAGALA GROUP LIMITED

Consolidated Statement of Cash Flows

For the year ended December 31, 2009

In thousands of US Dollars	Note	2009	2008
Cash flows from operating activities			
Profit before income tax expense		4,662	(916)
Adjustments for:			
Depreciation	8	3,525	3,674
Amortization		226	195
Unrealized foreign exchange (gain)/loss		(236)	274
Allowance for doubtful debts	11,13,21	142	1,230
Interest expense / (income)		345	5
Gain from acquisition of minority interests	6	(1,272)	-
Write-off of share based payments reserve		(301)	-
Derivative instruments at fair value		232	-
Loss on disposal of property, plant and equipment		838	168
Impairment of property, plant and equipment, and goodwill	8	5,422	3,897
Cash from operations before working capital changes		**13,583**	**8,527**
Increase in inventories	10	(1,015)	(1,811)
Decrease / (increase) in trade accounts receivable	11	67	(2,790)
Decrease in amounts due from related parties	21	33	827
(Increase) / decrease in prepayments and other receivables	13	(812)	334
Decrease in accounts payable	17	(2,771)	(464)
Decrease in amounts due to related parties	21	-	(483)
Increase / (decrease) in other payables		990	(569)
Cash generated from operations		**10,075**	**3,571**
Interest paid		(1,211)	-
Income taxes paid		(792)	(924)
Net cash provided by operating activities		**8,072**	**2,647**
Cash flows from investing activities			
Purchases of property, plant and equipment	8	(21,635)	(11,609)
Long term prepayments	8	4,430	(11,868)
Acquisition of minority interests	6	(200)	-
Acquisition of intangible assets		(110)	(439)
Net cash used in investing activities		**(17,515)**	**(23,916)**
Cash flows from financing activities			
Repayment of borrowings		(363)	(433)
Receipt of long-term borrowings	16	11,542	6,201
Net cash provided by financing activities		**11,179**	**5,768**
Net increase / (decrease) in cash and cash equivalents		**1,736**	**(15,501)**
Effect of exchange rate changes on cash and cash equivalents		(459)	-
Cash and cash equivalents at the beginning of the year	14	8,205	23,706
Cash and cash equivalents at the end of the year	**14**	**9,482**	**8,205**

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Chief Executive Officer Tim Abson

Chief Financial Officer Andrea Bucekova

CHAGALA GROUP LIMITED

Consolidated Statement of Changes in Equity

For the year ended December 31, 2009

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	Minority interests	Total Equity
As at January 1, 2009	**8,503**	**80,293**	**33,714**	**2,472**	**9,291**	**301**	**134,574**	**5,844**	**140,418**
Profit for the year	-	-	-	-	6,966	-	6,966	256	7,222
Other comprehensive income / (loss)	-	-	10,962	(25,857)	(59)	-	(14,954)	1,421	(13,533)
Total comprehensive income/ (loss)	-	-	**10,962**	**(25,857)**	**6,907**	—-	**(7,988)**	**1,677**	**(6,311)**
Share-based payment transactions (Note 15)	-	-	-	-	-	(301)	(301)	-	(301)
Acquisition of minority interests (Note 6)	-	-	-	-	-	-	-	(2,260)	(2,260)
As at December 31, 2009	**8,503**	**80,293**	**44,676**	**(23,385)**	**16,198**	-	**126,285**	**5,261**	**131,546**

	Attributable to equity holders of the parent								
	Share Capital	Additional paid in Capital	Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Other Reserves	Total	Minority interests	Total Equity
As at January 1, 2008	**8,503**	**80,293**	**37,493**	**2,561**	**8,013**	**301**	**137,164**	**2,925**	**140,089**
Profit for the year	-	-	-	-	1,171	-	1,171	(604)	567
Other comprehensive income / (loss	-	-	(3,779)	(89)	107	-	(3,761)	80	(3,681)
Total comprehensive loss income/ (loss)	-	-	**(3,779)**	**(89)**	**1,278**	-	**(2,590)**	**(524)**	**(3,114)**
Acquisition of minority interests (Note 6)	-	-	-	-	-	-	-	3,443	3,443
As at December 31, 2008	**8,503**	**80,293**	**33,714**	**2,472**	**9,291**	**301**	**134,574**	**5,844**	**140,418**

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Chief Executive Officer Tim Abson

Chief Financial Officer Andrea Bucekova

1 CORPORATE INFORMATION

Chagala Group Limited (the "Company" or "Parent") was incorporated as a private company in the British Virgin Islands ("BVI") on February 20, 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 accommodations and other commercial properties (ii) restaurant operations and (iii) construction of commercial real estates in western Kazakhstan.

On February 27, 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.

The principal subsidiaries consolidated within the Group, and the share of voting interest held by the Company as at December 31, 2009 and December 31, 2008, are as follows:

	Percentage Ownership	
Subsidiary	**2009**	**2008**
Bayan Limited LLP	100%	100%
Caspi Limited LLP	100%	100%
Bautino Development Company LLP	100%	100%
Aktau Development LLP	100%	100%
Chagala Management LLP	100%	100%
Chagala Construction LLP (Note below)	100%	100%
Bautino Land Development LLP (Note below)	100%	100%
Bautino Properties LLP (Note below)	100%	100%
Chagala Zere Malls LLP (Note 6 and Note 23)	100%	50.1%
Chagala Aksai LLP (Note 6)	50.1%	50.1%

On September 1, 2008 the directors of the Chagala Group Limited resolved that three subsidiaries of the Company that are inactive and have no assets - Chagala Construction LLP, Bautino Land Development LLP and Bautino Properties LLP - be liquidated. Till 31 December 2009 the process of liquidation was not completed.

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

The consolidated financial statements have been prepared on historical cost basis, except for land, buildings, furniture and equipment and financial instruments that have been measured at fair value.

The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2009 listed in Note 1.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Minority interest is the interest in subsidiaries not held by the Group. Minority interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the combination. Minority interest is presented within the shareholders' equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses and the minority has the ability to do so. All such losses are allocated to the Group

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

IFRS 2*, Share-based Payment (Revised)*

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 7*, Financial Instruments: Disclosures*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk and fair value disclosures are presented in Note 26.

IFRS 8*, Operating Segments*

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that there is no additional operating segment determined in accordance with IFRS 8 compared to the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 7.

IAS 1*, Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23*, Borrowing Costs*

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was compliant with this standard due to early adoption (Note 8).

IAS 32*, Financial Instruments: Presentation and* IAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IAS 39*, Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 9*, Reassessment of Embedded Derivatives and* IAS 39, *Financial Instruments: Recognition and Measurement*

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 13*, Customer Loyalty Programmes*

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group did not implement any loyalty programmes.

IFRIC 15*, Agreements for the construction of Real Estate*

This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. Agreements in the scope of this Interpretation are agreements for the construction of real estate. In addition to the construction of real estate, such agreements may include the delivery of other goods or services. The interpretation had no effect on Group's operations.

IFRIC 16*, Hedges of a Net Investment in a Foreign Operation*

The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to IFRSs

In May 2008 the IASB issued 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 8, *Operating Segment Information:*** clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
> As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 7.
>
> **IAS 1, *Presentation of Financial Statements:*** Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not

result in any reclassification of financial instruments between current and non-current in the statement of financial position.
IAS 16, *Property, Plant and Equipment:* Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18, *Revenue:* The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

IAS 23, *Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36, *Impairment of Assets:* When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using ‘value in use’.
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

IAS 38, *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.
The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group.

IFRSs and IFRIC interpretations issued but not yet effective

The Group has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 3R, *Business Combinations*
IAS 27, *Consolidated and Separate Financial Statements - amendment*
IFRIC 17*, Distributions of Non-cash Assets to Owners*
IFRIC 14 IAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements*
IFRIC 19*, Extinguishing Financial Liabilities with Equity Instruments*
IFRS 9*, Financial Instruments*
IAS 24*, Related Party Disclosures – amendment*
IFRS 1*, First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2*, Group cash-settled share-based payments transactions*
IAS 39*, Eligible hedged items*
IFRIC 18*, Transfer of Assets from Customers*
IAS 32*, Classifications of rights issues*
Amendments to IFRS 1 and IAS 27 “Determining the cost of an investment in the separate financial statements”
Improvements to IFRSs (April 2009)

Management does not expect the above standards and interpretations to have a material impact on the Company’s financial position or results of operations.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the accounts of the Company and its controlled subsidiaries listed in Note 1. Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over its operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies for subsidiaries are consistent with the policies adopted by the Group.

3.2 Business combinations and goodwill

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The minority interest (formerly known as minority interest) was measured at the proportionate share of the acquiree’s identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.

If the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group (a) reassess the identification and measurement of the acquiree’s identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and (b) recognises immediately in profit or loss any excess remaining after that reassessment.

Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the excess of the consideration over the book value of the share of the net assets acquired is recognised in goodwill and the deficit of the consideration over the book value of the share of the net assets acquired is recognised as gain from acquisition of minority interest in the consolidated income statement.

3.3 Functional and presentation currencies

The functional currency of the Company and its principal subsidiaries (Note 1) is Kazakhstan Tenge (“KZT” or “Tenge”). All items included in the financial statements of each entity are measured using that functional currency. The consolidated financial statements are presented in US Dollars, which is the Company’s presentation currency. The Company’s and its subsidiaries’ Tenge financial statements are translated to US Dollars (“USD”) (the presentation currency) based on provisions of IAS 21 “The Effect of Changes in Foreign Exchange Rates” as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate existing at the date of each balance sheet presented;
- Income and expense items for each period presented are translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates for those periods;
- Equity items other than net profit or loss for the period are translated at the exchange rates existing at the dates of the transactions; and
- Exchange differences resulting from translation are recognized directly in equity.

Tenge is not a fully convertible currency outside the territory of the Republic of Kazakhstan. The Group used exchange rates of Tenge to the USD established by the National Bank of the Republic of Kazakhstan (the “NBRK”) as follows in the table:

	Exchange rate at December 31	Weighted average rate during the year
2009	148.36	147.51
2008	120.77	120.29

3.4 Financial instruments - initial recognition and subsequent measurement

a) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

c) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

3.5 Derivative financial instruments

The Group uses derivative financial instruments - interest rate swaps contracts to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.
As at December 31, 2009 the Group has an interest rate swap derivative agreement, see Note 16 for more details. This interest rate swap derivative agreement does not qualify as hedge instrument, therefore the change in the fair value of an interest rate derivative is recognised in the income statement as finance costs.

3.6 Cash and cash equivalents

Cash and cash equivalents are defined as cash at bank and in hand and short-term deposits with an original maturity of three months or less.

3.7 Restricted cash

Restricted cash comprises bank deposits that represent guarantee deposits for recruited expatriate employees. These deposits are in compliance with the Law of the Republic of Kazakhstan and hence are not included in cash and cash equivalents.

3.8 Trade and other receivables

Trade receivables

Trade receivables, which generally have a short term, are carried at original invoice amount less an allowance for any uncollectible amounts. Allowance for trade receivables is booked as follows:

	Allowance
Overdue for more than 1 year	100%
Overdue for more than 9 months and less than 1 year	75%
Overdue for more than 6 months and less than 9 months	50%
Overdue for more than 3 months and less than 6 months	25%

Other receivables

Allowance for other receivables is booked when there is significant doubt that the Group will not be able to collect the debts.

3.9 Taxes

a) Value added tax (VAT)

The financial statements present VAT net because the tax authorities permit the settlement of sales and purchases VAT on a net basis.

Value Added Tax Payable

VAT is payable to the tax authorities upon collection of accounts receivable from customers.
VAT on purchases, which have been settled at the balance sheet date, is deducted from the amount payable.

In addition, VAT related to sales which have not been collected at the balance sheet date is also included in the balance of VAT payable. Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Value Added Tax Recoverable

VAT recoverable relates to purchases, which have not been settled at the balance sheet date. VAT recoverable is reclaimable against VAT related to sales upon payment for the purchases.

b) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

c) Deferred income taxes

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.10 Inventories

Inventories are recorded at the lower of cost and net realisable value. Inventory cost, which comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.11 Property, plant and equipment

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment charged subsequent to the date of the revaluation.

Following initial recognition at cost, land, buildings and furniture and equipment are carried at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation on property, plant and equipment and subsequent accumulated impairment losses.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset group previously recognised in the consolidated statement of comprehensive income. A revaluation deficit is recognised in the consolidated statement of comprehensive income, except that a deficit directly offsetting a previous surplus on the same assets group is directly offset against the surplus in the revaluation reserve. Depreciation is calculated on a straight-line basis over the estimated total useful lives of the assets as follows:

Buildings	20-50 years
Equipment	3-10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Borrowing costs that are directly attributable to the construction of an asset are capitalized as part of the cost of that asset and recognized in depreciation expense when the construction of the asset is made available for use.

The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised. This involves transferring the whole of the surplus when the asset is retired or disposed of.

3.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Property, plant and equipment

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

Goodwill

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at December 31.

3.13 Capital work-in-progress

All assets under construction are classified as capital work-in-progress and are not depreciated. Once projects are completed and placed into service, they are transferred to property, plant and equipment.

At each reporting date management assesses whether there is any indication of impairment of Capital work-in-progress. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of income.

3.14 Foreign currency transaction

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange in effect at the balance sheet date. All resulting differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.15 Share-based payment transactions

Senior management and directors of the Group receive remuneration in the form of share-based payment transactions, whereas senior management and directors render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with senior management and directors is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, 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 where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.17 Share Capital

Share capital represented by ordinary shares is classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid in capital.

3.18 Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Sales of services are recognised in the period the services are provided based on the total contract value and the percentage completed. Revenues are measured at the fair value of the consideration received or receivable. When the fair value of consideration received cannot be measured reliably, the revenue is measured at the fair value of the services provided.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Expenses

Expenses are recognized as incurred and are reported in the financial statements in the period to which they relate on an accruals basis.

3.19 Employees' benefits

The Group pays social taxes to the Kazakhstan government for its employees. Social taxes and related staff costs are expensed as incurred.

The Group also withholds and contributes 10% from the salary of its local employees as the employees' contribution to their pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to pay its employees upon their retirement.

3.20 Deferred transaction costs

Fees paid to obtain a firm commitment from a lender under a loan facility which relate to the un-drawn amount are initially recognized as deferred transaction costs when it is probable that the commitment will be utilized. The deferred transaction costs are then allocated to the loan in proportion to amount drawn and included in the calculation of the effective interest rate for each amount drawn.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revaluation of land, buildings, furniture and equipment

The Group uses the revaluation model allowed under IAS 16 "Property, Plant and Equipment". The Company applied the income approach involving the exercise of significant assumptions and judgments in determining the fair values of certain property, plant and equipment. The key assumptions used in deriving the valuation using the income approach are the discount rate and the projection of future cash flows. Other equipment is revalued based on the depreciated replacement cost method. Market-based evidence is also used to support the valuations derived from the income approach and depreciated replacement cost methods. Land is revalued based on limited current market evidence from recent transactions.

Fair value of assets and liabilities acquired in business combination

The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions. More details are provided in Note 6.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. More details are provided in Note 20.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Allowances

The Group makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5 Reclassifications

Certain reclassifications have been made to the previous year consolidated statement of financial position, consolidated income statement and consolidated cash flow statement in order to conform to the current year presentation.

	Presentation in 2009	**Presentation in 2008**
Statement of Financial Position as at December 31, 2008		
Other payables and accruals	-	901
Interest payable	56	-
Other payables and accruals	845	-
	901	**901**

Income Statement for the year ended December 31, 2008		
Other operating revenue	1,399	-
Other income	75	2,470
Other expenses	-	(996)
General and administrative expenses	(5,117)	(4,418)
Utilities, repair and maintenance expenses	-	(699)
	(3,643)	**(3,643)**

Reclassifications of 2008 figures within the consolidated income statement were made to present more meaningful information for the users of the consolidated financial statements.

6 BUSINESS COMBINATIONS AND ACQUISITIONS OF MINORITY INTERESTS

Acquisitions in 2009:

Acquisition of 49.9 % minority interest in Chagala Zere Malls.

On January 12, 2009 the Company acquired the remaining 49.9% interest in Chagala Zere Malls and became its sole shareholder. Carrying value of minority interest amounted to USD 2,260 thousand. Total consideration given for the acquisition of the minority interest comprised cash of USD 365 thousand and land plot with fair value of USD 623 thousand. The cash payment was completed on February 3, 2009.

The difference of USD 1,272 thousand between the total consideration given of USD 988 thousand and the carrying value of the minority interest of USD 2,260 thousand was recognized as other gain in consolidated income statement.

Acquisitions in 2008:

Acquisition of Chagala Aksai LLP

On June 11, 2008, the Company acquired 50.1% of interest in Maverick LLP, which is the owner of a land plot and accommodation facilities in Aksai, a city located in the western region of Kazakhstan. The name of the business was changed to Chagala Aksai LLP. The principal activity of Chagala Aksai LLP is providing accommodation facilities to third parties.

The fair values of the identifiable assets, liabilities and contingent liabilities attributable to acquired interest in Chagala Aksai LLP as at the date of acquisition were:

In thousands of US Dollars	**Fair value**	**Carrying value**
Land	97	800
Premises and equipment	2,514	2,544
Other assets	5,067	5,067
Cash and cash equivalents	1	1
Trade accounts payable	(779)	(779)
Net assets	**6,900**	**7,633**
Less: minority interests	(3,443)	
Group's share of the fair value of net assets	**3,457**	
Goodwill on acquisition	337	
Total consideration	**3,794**	

The total cost of the combination was USD 3,794 thousand and was paid in cash. The net cash outflow on acquisition was as follows:

In thousands of US Dollars	
Cash paid	(3,794)
Minus: cash acquired with the subsidiary	1
Net cash outflow	**(3,793)**

From the date of acquisition, Chagala Aksai LLP reported net profit of USD 122 thousand, which has been included to the net profit of the Group for the year ended December 31, 2008.

If the acquisition of Chagala Aksai LLP had taken place at the beginning of the year, the net loss related to the Group for the year ended December 31, 2008 would have been USD 300 thousand.

The goodwill is primarily attributable to the synergies, combined revenue increase and cost savings that are expected to arise.

7 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.

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.
Other operating segments are not material to the Group and are not considered to be reportable segments.

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 except for certain costs and expenses which are not allocated to segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

Year ended December 31, 2009	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
In thousands of US Dollars					
Revenue					
Sales to external customers	21,447	8,188	2,723	-	32,358
Inter-segment sales	145	55	-	(200)[1]	-
Total revenue	**21,592**	**8,243**	**2,723**	**(200)**	**32,358**
Results					
Segment results before depreciation, amortization, impairment and finance results	13,997	3,347	2,367	(5,483)[2]	14,228
Depreciation and amortization	(2,604)	(578)	(183)	(386)	(3,751)
Impairment of property, plant and equipment and goodwill	(4,933)	-	(441)	(48)	(5,422)
Loss on disposal of property, plant and equipment	-	-	-	(838)	(838)
Finance expenses	(140)	-	-	(465)	(605)
Other gain	-	-	-	1,050	1,050
Segment profit	**6,320**	**2,769**	**1,743**	**(6,170)**	**4,662**

Operating assets	107,222	15,202	1,532	36,603[3]	160,559
Operating liabilities	21,153	355	169	7,336[4]	29,013
Other segment information:					
Capital expenditures[5]	23,658	174	267	153	24,252

1. Inter-segment revenues are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 3,131 thousand) and salaries and employee benefits (USD 2,352 thousand).
3. Segment assets do not include property, plant and equipment (USD 11,311 thousand), cash and cash equivalents (USD 9,482 thousand), restricted cash (USD 34 thousand), goodwill (USD 2,165 thousand), trade receivables (USD 5,331 thousand), intangible assets other than goodwill (USD 664 thousand), other prepayments (USD 539 thousand), deferred tax assets (USD 2,163 thousand), deferred transaction costs (USD 1,165 thousand), taxes prepaid (USD 3,426 thousand) and due from related parties (USD 323 thousand) as these assets are managed on a group basis.
4. Segment liabilities do not include deferred tax liabilities (UDS 6,321 thousand), taxes payable (USD 822 thousand) and other liabilities (USD 193 thousand) as these liabilities are managed on a group basis.
5. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Year ended December 31, 2008	**Room and rent**	**Food and beverages**	**Other**	**Adjustments and eliminations**	**Total operations**
In thousands of US Dollars					
Revenue					
Sales to external customers	18,752	7,983	1,399	-	28,134
Inter-segment sales	939	400	-	(1,339)[1]	0
Total revenue	**19,691**	**8,383**	**1,399**	**(1,339)**	**28,134**
Results					
Segment results before depreciation, amortization, impairment and finance results	11,973	2,421	438	(7,535)[2]	7,297
Depreciation and amortization	(2,901)	(542)	(193)	(233)	(3,869)
Impairment of property, plant and equipment and goodwill	(2,323)	-	-	(1,574)	(3,897)
Loss on disposal of property, plant and equipment	-	-	-	(168)	(168)
Finance expense	-	-	-	(338)	(338)
Other gain	-	-	-	59	59
Segment profit	**6,749**	**1,879**	**245**	**(9,789)**	**(916)**
Operating assets	107,630	16,268	636	36,868[3]	161,402
Operating liabilities	12,550	977	80	7,377[4]	20,984
Other segment information:					
Capital expenditures:[5]	18,154	158	512	512	19,336

1. Inter-segment revenues are eliminated on consolidation.
2. Profit for the operating segments does not include general and administrative expenses (USD 5,117 thousand) and salaries and employee benefits (USD 2,418 thousand).
3. Segment assets do not include property, plant and equipment (USD 12,822 thousand), cash and cash equivalents (USD 8,205 thousand), restricted cash (USD 38 thousand), goodwill (USD 2,708 thousand), trade receivables (USD 6,730 thousand), intangible assets other than goodwill (USD 976 thousand), other prepayments (USD 592 thousand), deferred transaction costs (USD 1,453 thousand), taxes prepaid (USD 2,703 thousand) and due from related parties (USD 641 thousand) as these assets are managed on a group basis.
4. Segment liabilities do not include deferred tax (UDS 6,093 thousand), taxes payable (USD 446 thousand) and other payables (USD 838 thousand) as these liabilities are managed on a group basis.
5. Capital expenditure consists of additions of property, plant and equipment and intangible assets.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment and related accumulated depreciation consist of the following:

2009	Land	Buildings	Furniture and Equipment	Capital Work- in-Progress	Total
In thousands of US Dollars					
Net carrying amount at January 1	28,030	64,330	8,205	21,958	122,523
Additions	24	70	1,778	22,270	24,142
Revaluations	1,094	15,326	-	-	16,420
Revaluation decrease of property, plant and equipment	(878)	(1,133)	-	-	(2,011)
Impairment	(920)	(4,421)	-	-	(5,341)
Disposals	(623)	(5)	(100)	(768)	(1,496)
Transfers	-	14,555	2,934	(17,489)	-
Depreciation charge for the year	-	(1,621)	(1,904)	-	(3,525)
Depreciation on disposals	-	-	35	-	35
Translation reserve	(5,221)	(11,982)	(1,530)	(4,400)	(23,133)
Net carrying amount at December 31	**21,506**	**75,119**	**9,418**	**21,571**	**127,614**
At revalued amount	21,506	84,891	17,869	21,571	145,837
Accumulated depreciation and impairment	-	(9,772)	(8,451)	-	(18,223)
Net carrying amount at December 31	**21,506**	**75,119**	**9,418**	**21,571**	**127,614**

The Group recognized an impairment loss of USD 5,341 thousand due to decrease of fair values of certain land plots and buildings. The amount was recognised in the consolidated income statement.

The impairment of buildings in 2009 includes: USD 3,882 thousand - Hotel and Apartments building of Aktau Development Company, USD 354 thousand - different objects of Caspi Limited, USD 185 thousand - different objects of Chagala Aksai, Bautino Development Company, Bayan Limited and Chagala Management.

Impairment of land in 2009 includes USD 920 thousand regarding to land plots of Aktau Development Company.

Transfers from Capital work-in-progress to Buildings consist of the following projects completed: Hotel and Apartments building of Aktau Development Company, Phase 3 of the Hotel of Bautino Development Company, Sport and Leisure Park of Caspi Limited, Laundry building of Chagala Aksai.

2008	Land	Buildings	Furniture and Equipment	Capital Work- in-Progress	Total
In thousands of US Dollars					
Net carrying amount at January 1	46,885	54,677	10,105	12,235	123,902
Additions	52	413	792	15,029	16,286
Acquisition of subsidiary	97	2,179	335	-	2,611
Revaluations	1,274	13,641	-	-	14,915
Revaluation decrease of property, plant and equipment	(23,302)	(5,842)	-	-	(29,144)
Impairment	-	-	-	(984)	(984)
Disposals	-	(2)	(1,539)	-	(1,541)
Transfers	3,206	960	129	(4,295)	-
Depreciation charge for the year	-	(1,475)	(2,199)	-	(3,674)
Depreciation on disposals	-	-	625	-	625
Translation reserve	(182)	(221)	(43)	(27)	(473)
Net carrying amount at December 31	**28,030**	**64,330**	**8,205**	**21,958**	**122,523**

At revalued amount	28,030	72,481	14,787	21,958	137,256
Accumulated depreciation and impairment	-	(8,151)	(6,582)	-	(14,733)
Net carrying amount at December 31	**28,030**	**64,330**	**8,205**	**21,958**	**122,523**

USD 984 thousand of impairment loss represented the write down of certain capital work-in-progress to the recoverable amount. The recoverable amount was based on value in use and was determined at the level of the cash generating unit. The cash-generating unit consisted of the assets of Aktau Development Company, a subsidiary of the Company. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 10.1% on a pre-tax basis.

In 2008, the Group recognized an impairment loss of USD 3,897 thousand (including goodwill impairment in the amount of USD 1,574 thousand – Note 9) to reduce the carrying amount of the assets to the fair value less costs to sell. This was recognized in the income statement.

Also revaluation decrease of property plant and equipment includes impairment of land of Chagala Zere-Malls LLP in the amount of USD 1,339 thousand, which was reflected in the income statement.

Capitalized borrowing costs

The Group develops real estates in West Kazakhstan. The projects are expected to be completed in 2010 - 2011. The carrying amount of capital work-in progress was USD 21,571 thousand and consists of the following:

In thousands of US Dollars	**2009**	**2008**
Bautino RCP Camp Phase 1	3,050	1,054
Bautino Hotel Phase 3	-	3,068
Aktau Chagala Hotel	-	3,802
Uralsk Apartments Phase 1	3,535	1,083
Caspi - Masterplan	5,653	4,469
Caspi - Ural Residence Buildings	5,442	3,598
Caspi - Camp (office, canteen, dormitory)	2,104	2,934
Chagala Aksai - Camp	389	-
Others	1,398	1,950
Total	**21,571**	**21,958**

The amount of borrowing costs capitalized during the year ended 31 December 2009 was USD 1,219 thousand (2008: USD 231 thousand). The weighted average interest capitalization rate comprised 9.77%-10.41%.

Revaluation of land and buildings

The Group engaged an independent appraiser at December 31, 2009 and 2008 to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

2009	**Land**	**Buildings**	**Total**
In thousands of US Dollars			
At cost	9,296	51,237	60,533
Accumulated depreciation and impairment	-	(5,747)	(5,747)
Net carrying amount at December 31	**9,296**	**45,490**	**54,786**

2008	**Land**	**Buildings**	**Total**
In thousands of US Dollars			
At cost	12,155	44,982	57,137
Accumulated depreciation and impairment	-	(5,801)	(5,801)
Net carrying amount at December 31	**12,155**	**39,181**	**51,336**

Long term prepayments

Long-term prepayments for the year ended December 31 are as follows:

In thousands of US Dollars	**2009**	**2008**
Prepayments for construction materials and works	4,949	11,645
Prepayments for furniture, fittings and equipment	117	45
Other	-	178
	5,066	**11,868**

Breakdown of prepayments by projects for the year ended December 31 is as follows:

In thousands of US Dollars	**2009**	**2008**
Aktau Development Company - Chagala Hotel	11	3,000
Bautino Development Company - Hotel Phase 3	-	2,038
Bautino Development Company - RCP Phase 1	1,842	1,251
Bayan Limited - Uralsk Apartments Phase 1	858	296
Caspi Limited – Masterplan	-	1,054
Caspi Limited - Ural Buildings	2,213	3,572
Other projects	142	657
	5,066	**11,868**

Contractual Performance Bonds

As part of its business activity the Group engages in the contracts with construction companies. Some of the agreements contain guarantee clauses which mitigate the risk of defaults or non-performance by the construction companies.

As at December 31, 2009 the Group had contractual performance bonds from the Banks of the third parties (General Contractors) for the purchase of property, plant and equipment for USD 553 thousand (2008: USD 1,144 thousand).

In thousands of US Dollars	**2009**	**2008**
Aktau Development Company - Chagala Hotel	295	362
Bautino Development Company - RCP Phase 1	196	500
Bayan Limited - Uralsk Apartments Phase 1	62	152
Bautino Development Company - Hotel Phase 3	-	130
	553	**1,144**

A bond given by a bank to a third party guarantees that if a specified contractor fails to fulfil all the terms of a specified contract, the bank will be responsible for any loss sustained by the Group.

9 GOODWILL

The movement of goodwill for the year ended December 31 is as follows:

In thousands of US Dollars	**2009**	**2008**
Cost:		
At January 1	2,708	3,938
Additions	-	337
Impairment	(48)	(1,574)
Translation difference	(495)	7
At December 31	**2 ,165**	**2 ,708**

Goodwill impairment test

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

In thousands of US Dollars	**2009**	**2008**
Bautino Development Company LLP	1,616	1,985
Bayan Limited LLP	275	338
Chagala Zere Malls LLP	-	48
Chagala Aksai LLP	274	337
	2,165	**2,708**

The recoverable amount of the cash-generating units has been determined based on a value in use calculation using cash flow projections of the Group covering 5-year period. The post-tax discount rate applied to cash flow projections is 13.33% (2008: 10.1%) and cash flows beyond the five-year period are extrapolated using 2.3% growth rate (2008: 0%) which approximates the long-term inflation rate forecast.

Key assumptions used in value in use calculations

Key assumptions on which management has based its determination of value in use include average room occupancy rates, capital expenditure, market share, growth rates and discount rates. Any significant future changes in the market and competitive environments could have an adverse effect on the value of the cash-generating units.

With regard to the assessment of value in use of cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

10 INVENTORIES

As at December 31, inventories consisted of the following:

In thousands of US Dollars	**2009**	**2008**
Materials	368	325
Spare parts	356	394
Food and beverages	213	380
Restaurant & kitchen supplies	324	343
Housekeeping goods	443	587
Stationery and office equipment	107	162
Working clothes	67	156
Other	710	618
	2,588	**2,965**

Inventories recognised as an expense are as follows:

In thousands of US Dollars	**2009**	**2008**
Cost of sales - Food and Beverages	2,723	3,244
Replacement costs	232	330
Housekeeping goods	526	562
Repairs and maintenance	791	239
Other	504	535
	4,776	**4,910**

11 TRADE ACCOUNTS RECEIVABLE

As at December 31, trade accounts receivable consisted of the following:

In thousands of US Dollars	**2009**	**2008**
Trade accounts receivable	5,571	6,950
Allowance for doubtful debts	(240)	(220)
	5,331	**6,730**

Trade accounts receivable are non-interest bearing and are generally on 7 to 30-day term.

The Group's major part of trade accounts receivable is denominated in US Dollars. At December 31, 2009 the largest trade accounts receivable, AGIP KCO, represented 83% (at December 31, 2008: 74%) of total trade accounts receivable.

The movements in the allowance for doubtful debts were as follows for the years ended December 31:

In thousands of US Dollars	**2009**	**2008**
Allowance for doubtful debts at the beginning of the year	(220)	(91)
Charge for the year	(91)	(220)
Write-offs	11	91
Reversals	19	-
Foreign currency translation gain	41	-
	(240)	**(220)**

As at December 31, the ageing analysis of trade accounts receivable is as follows:

			Past due but not impaired				
In thousands of US Dollars	**Total**	**Neither past due nor impaired**	**<30 days**	**30-90 days**	**90-120 days**	**120-360 days**	**>360 days**
2009	5,331	2,767	1,798	713	36	17	0
2008	6,730	5,202	595	705	130	16	82

12 TAXES PREPAID

As at December 31, taxed prepaid consisted of the following:

In thousands of US Dollars	**2009**	**2008**
VAT recoverable	3,083	2,559
Other taxes prepaid	343	144
	3,426	**2,703**

13 OTHER PREPAYMENTS

As at December 31, other prepayments consisted of the following:

In thousands of US Dollars	**2009**	**2008**
Advances paid to suppliers	489	718
Other	120	93
	609	**811**
Allowance for doubtful debts	(71)	(219)
	538	**592**

At December 31, other prepayments were denominated in the following currencies:

In thousands of US Dollars	2009	2008
Tenge	559	672
US dollars	27	62
EURO	23	54
GBP	-	23
	609	**811**

14 CASH AND CASH EQUIVALENTS

As at December 31, cash and cash equivalents consisted of the following:

In thousands of US Dollars	2009	2008
Short-term deposits	-	5,490
Cash in current bank accounts	9,437	2,657
Cash on hand	45	58
	9,482	**8,205**

Cash in current bank accounts does not earn interest. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At December 31 cash and cash equivalents were denominated in the following currencies:

In thousands of US Dollars	2009	2008
US dollars	8,873	5,733
Tenge	603	2,466
Other currencies	6	6
	9,482	**8,205**

15 SHARE CAPITAL AND RESERVES

Ordinary shares issued and fully paid

At December 31, 2009 and 2008, 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 January 22, 2007, the Company granted options to its senior management and directors, under the established Chagala Group Limited share option scheme (the "Plan"), which is exercisable as one-third on the first anniversary of the date of grant, one-third at the second anniversary of the date of grant and one-third on the third anniversary of the date of grant. These options will lapse on the fourth anniversary of the date of grant. 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.

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.

	2009	2008
Weighted average number of ordinary shares outstanding (thousands)	85,027	85,027
Effect of dilution		
Share options (thousands)	-	-
Weighted average number of ordinary shares outstanding adjusted for the effect of dilution (thousands)	85,027	85,027
Profit for the year attributable to equity holders of the parent (in thousands of US Dollars)	6,966	1,171
Basic and diluted earnings per share, US Dollars	**0.08**	**0.01**

In 2009 and 2008 share options were not considered dilutive as the average market price of ordinary shares during the years exceeded the exercise price of the share options.

16 LONG-TERM BORROWINGS

As at December 31, long-term loans and borrowings comprised the following:

In thousands of US Dollars	2009	2008
Variable borrowings	4,000	-
Weighted average interest rate	*5.99%*	-
Fixed borrowings*	12,150	7,654
Weighted average interest rate	*9.87%*	*8.50%*
Non-Interest-bearing loans and borrowings	193	308
TOTAL Long Term borrowings	**16,343**	**7,962**

* includes the effect of related interest rate swaps

In thousands of US Dollars	2009	2008
Principal debt as at December 31	16,744	7,962
Fees incurred on arrangement of borrowings	(583)	-
Amortization of arrangement fees	37	-
Capitalization of arrangement fees	145	-
Total borrowings	**16,343**	**7,962**

At December 31, long-term loans and borrowings were denominated in US dollars.

Long-term loans and borrowings are repayable as follows:

In thousands of US Dollars	2009	2008
Current portion, including interest payable	**3,150**	**625**
Maturity between 1 and 2 years	3,798	849
Maturity between 2 and 5 years	11,107	4,562
Maturity over 5 years	1,839	2,551
Total long-term portion	**16,744**	**7,962**

The Group entered into credit facility agreement with HSBC Bank Kazakhstan and Raiffeisen Zentralbank Osterreich AG. As at 31 December 2009 the credit amount received is USD 19,309 thousand out of total credit facility.

At December 31, 2009, the Group had interest rate swap agreements in place with an aggregate notional amount of USD 15,309 thousand (2008: USD 7,654 thousand) whereby the Group receives a floating interest rate of 3m LIBOR plus 1.33-2.21% and pays a fixed rate equal to 2.67%-2.85% plus 4.75%-5.75% on the notional amount. The fair value of the interest rate swap instruments was recognized as a liability in the amount of USD 232 thousand as at December 31, 2009 (2008: Nil) with respective charge to finance costs.

The total amount of the credit facility is USD 53,500 thousand and is secured as follows:

- Legal mortgages over immovable properties in favour of HSBC Bank Kazakhstan registered with related authority of the Republic of Kazakhstan
- Pledge over bank accounts of the all subsidiaries being obligors registered with related authority of the Republic of Kazakhstan
- Pledge of shares of Chagala Group Limited in all subsidiaries being obligors

In thousands of US Dollars

Pledged items	Company	Value as at 31 December, 2009
Property		
Land plot 0.7301 ha	ADC	773
Hotel building assembled	ADC	4,947
Chagala Hotel building, phase 1 & 2	BDC	11,290
Land plot 4.8 ha RCP Camp	BDC	1,443
Land plot and Hotel building assembled	Bayan Ltd.	1,772
Land plots in Atyrau (0.131 ha, 10.618 ha, 0.1666 ha, 1.254 ha, 0.1 ha)	Caspi Ltd.	11,165
Apartments in Atyrau (231 residential apartments in 5 buildings)	Caspi Ltd.	20,868
Office building 1, 2 and 3 (4488.01, 2891.1 and 2903.4 sq.m)	Caspi Ltd.	17,261
Chagala Hotel buildings	Caspi Ltd.	2,053
Office and administrative buildings	Caspi Ltd.	4,130
Restaurants La Cabana, Petrovski, Irish Pub	Caspi Ltd.	1,952
Other buildings	Caspi Ltd.	2,324
		79,978
Cash and cash equivalents		
Bautino Development Company		1,421
Aktau Development Company		20
Bayan Limited		543
Caspi Limited		3,788
		5,772
Shares in the subsidiaries		
Bautino Development Company		229
Aktau Development Company		533
Bayan Limited		124
Caspi Limited		1,580
		2,466
Total		**88,216**

The undrawn portion of the credit facility is USD 34,191 thousand as of December 31, 2009.

On January 18, 2010 the Group signed an agreement for interest rate swap derivative instrument for notional amount of USD 4,000 thousand settled in accordance with a schedule with final maturity at June 12, 2015.

17 TRADE ACCOUNTS PAYABLE

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

In thousands of US Dollars	2009	2008
Supplies	1,022	1,555
Construction services	256	3,419
	1,278	**4,974**

Trade accounts payable are non-interest bearing and are normally settled on 30-day terms. The majority of trade payables are KZT denominated.

18 TAXES PAYABLE

As at December 31, current taxes payable consisted of the following:

In thousands of US Dollars	**2009**	**2008**
VAT payable	414	2
Withholding tax payable in respect of import contracts	115	-
Corporate Income Tax	70	183
Property tax	24	13
Other taxes	199	248
	822	**446**

19 SALARIES AND EMPLOYEES' BENEFITS

Salaries and employee benefits for the year ended December 31 comprised the following:

In thousands of US Dollars	**2009**	**2008**
Payroll and related taxes	6,664	7,543
Benefits	1,735	1,765
	8,399	**9,308**

20 INCOME TAX

In thousands of US Dollars	**2009**	**2008**
Income tax expense – current	261	1,708
Deferred income tax benefit	(795)	(12,500)
Less: Deferred tax recognised directly in other comprehensive income	(2,026)	9,309
Income tax benefit	**(2,560)**	**(1,483)**

Income before taxation for financial reporting purposes is reconciled to tax expense as follows:

In thousands of US Dollars	**2009**	**2008**
Income before taxation	**4,662**	**(916)**
Theoretical tax charge at statutory rate of 20%	932	(275)
Statutory tax rate change effect	267	(1,534)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable income of the Parent	(3,803)	(468)
Impairment of Goodwill	10	472
Non-deductible employee costs	32	-
Other non-deductible expenses	2	322
Income tax benefit	**(2,560)**	**(1,483)**

Movements in deferred tax balances were as follows:

		Recognised in Consolidated Statement of income		Recognised in Consolidated Statement of changes in equity			
In thousands of US Dollars	December 31, 2008	Statutory tax rate change effect	Origination and reversal of temporary differences	Statutory tax rate change effect	Deferred tax due to revaluation	Foreign currency translation	December 31, 2009
Deferred tax assets							
Property, plant and equipment	-	11	1,207	-	-	(6)	1,212
Other	703	-	809	-	-	(121)	1,391
	703	**11**	**2,016**	-	-	**(127)**	**2,603**
Deferred tax liabilities							
Property, plant and equipment	(6,796)	256	538	147	(2,173)	1,267	(6,761)
	(6,796)	**256**	**538**	**147**	**(2,173)**	**1,267**	**(6,761)**
Deferred tax liability, net	**(6,093)**	**267**	**2,554**	**147**	**(2,173)**	**1,140**	**(4,158)**

		Recognised in Consolidated Statement of income		Recognised in Consolidated Statement of changes in equity			
In thousands of US Dollars	January 1, 2008	Statutory tax rate change effect	Origination and reversal of temporary differences	Statutory tax rate change effect	Deferred tax due to revaluation	Foreign currency translation	December 31, 2008
Deferred tax assets							
Other	136	(337)	904	-	-	-	703
	136	**(337)**	**904**	**-**	**-**	**-**	**703**
Deferred tax liabilities							
Property, plant and equipment	(18,729)	1,871	753	5,442	3,867	-	(6,796)
	(18,729)	**1,871**	**753**	**5,442**	**3,867**	**-**	**(6,796)**
Deferred tax liability, net	**(18,593)**	**1,534**	**1,657**	**5,442**	**3,867**	-	**(6,093)**

Reflected in the Financial Statements as follows:

	January 1, 2008	**2008**	**2009**
Deferred tax assets	-	-	2,163
Deferred tax liabilities	(18,593)	(6,093)	(6,321)
Deferred tax liability, net	**(18,593)**	**(6,093)**	**(4,158)**

As at December 31, 2009, a deferred tax asset of USD 1,409 thousand has been recorded in respect of the impairment of certain property, plant and equipment as Management believes it is probable that sufficient taxable profit will be available to offset the deductible temporary differences to which the assets relate (2008: USD 348 thousand).

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies and, accordingly, taxes may accrue even where there is a consolidated net tax loss. Therefore, deferred tax assets of one company of the Group are not offset against the deferred tax liabilities of another company.

21 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In accordance with IAS 24 “Related Parties Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.
Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

During the year ended December 31, 2009 the Group entered into transactions with related parties. Those transactions along with related balances at December 31, 2009 and 2008 for the period then ended are presented in the following table:

Statement of financial position

In thousands of US Dollars	**At December 31, 2009**	**At December 31, 2008**
Other entities under common control		
Amounts due from related parties, including loans	1,173	1,479
Allowance for doubtful accounts	(850)	(838)
	323	**641**

Income Statement

In thousands of US Dollars	**2009**	**2008**
Other entities under common control		
Sales to related parties	54	44

Key Management Personnel

In thousands of US Dollars	**2009**	**2008**
Remuneration	705	517
Interest free short-term loans and advances provided to key management personnel	11	17

Key management personnel comprise members of the Management Board and Board of Directors of the Group, totalling six persons as at December 31, 2009 (2008: 5). 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 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. However the Company hold as guarantee for its receivables from ANM collateral in form of shares. For the year ended December 31, 2009 the Group has not recorded any impairment of receivables relating to amounts owed by related parties, company booked provision for doubtful receivables in total amount USD 850 thousand (2008: USD 838 thousand). 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.

22 OTHER GAIN

Other gain mainly comprises gain on acquisition of minority interest of USD 1,272 thousand.

23 FINANCE EXPENSES

As at December 31, finance expenses comprised the following:

In thousands of US Dollars	**2009**	**2008**
Interest expense on borrowings	336	-
Amortisation of loan arrangement fees	37	-
Loss on swap derivative instrument not designated as hedge (Note 16)	232	-
Other	-	338
	605	**338**

24 OTHER PAYABLES AND ACCRUALS

As at December 31, other payables and accruals comprised the following:

In thousands of US Dollars	**2009**	**2008**
Payables to employees	767	604
Other payables and accruals	2	241
	769	**845**

25 CONTINGENT COMMITMENTS AND OPERATING RISKS

Operating environment

Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects. The Group's operations and financial position will continue to be affected by Kazakhstan political developments including the application of existing and future legislation and tax regulations. The market volatility in the real estate sector may significantly decrease or increase the carrying values of property, plant and equipment in the future, however the Group is somewhat protected as a result of its focus on the oil and gas sector involving long term leases.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable. However these 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 assessment.

Legal Proceedings

In the opinion of Management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

Taxation

Tax legislation and regulations of Republic of Kazakhstan are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at 20% per annum. As a result, penalties and interest can amount to multiples of any unreported taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with the Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2009. As at December 31, 2009 management believes that its interpretations of the relevant legislation is appropriate and that it is probable that the Group's tax position will be sustained.

Contractual commitments

As at December 31, 2009 the Group had contractual commitments for the purchase property, plant and equipment from the third parties for USD 9,975 thousand (2008: USD 16,935 thousand).

In thousands of US Dollars	**2009**	**2008**
Caspi Limited - Ural Buildings	8,054	621
Bautino Development Company - RCP Phase 1	671	7,815
Aktau Development Company - Chagala Hotel	633	3,516
Chagala Aksai – Aksai Camp	341	46
Caspi Limited – Masterplan	13	2,120
Bayan Limited - Uralsk Apartments Phase 1	12	2,026
Other	251	791
	9,975	**16,935**

26 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of cash and short-term deposits as well as accounts receivable, loans, borrowings and accounts payable. The main risks arising from the Group's financial instruments are foreign currency risk and credit risk; with reference to foreign currency risk this is mitigated by having over 50% of the Group's income generating contracts denominated in US Dollars. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Currency risk

As a result of accounts receivable, cash and cash equivalents, accounts payable and loans and borrowings denominated in US Dollars, the Group's consolidated balance sheet can be affected significantly by movement in the US Dollar / Tenge exchange rate.

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all the variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

	2009		**2008**	
In thousands of US Dollars	**Increase / decrease in exchange rate**	**Effect on profit before tax**	**Increase / decrease in exchange rate**	**Effect on profit before tax**
US Dollar	+15%	(711)	+25%	933
US Dollar	-10%	606	+40%	1,333

Credit risk

The Group trades only with recognized, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 11.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities at December 31, based on contractual undiscounted payments:

In thousands of US Dollars	**On demand**	**Due later than one month but not later than three months**	**Due later than three months but not later than one year**	**Due later than one year but not later than five years**	**Due after five years**	**Total**
As of December 31, 2009						
Loans and borrowings	282	321	3,789	18,581	983	**23,956**
Trade accounts payable	1,236	-	42	-	-	**1,278**
Other payables and accruals	769	822	-	-	-	**1,591**
	2,287	**1,143**	**3,831**	**18,581**	**983**	**26,825**
As of December 31, 2008						
Loans and borrowings	518	283	429	8,838	750	**10,818**
Trade accounts payable	4,867	-	107	-	-	**4,974**
Other payables and accruals	901	-	-	-	-	**901**
	6,286	**283**	**536**	**8,838**	**750**	**16,693**

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

Cash flow requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The management of the Group believes that any possible fluctuations of future cash flows associated with a monetary financial instrument will not have material impact on the Group's operations.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.
The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, to maintain the target capital structure.
The Group monitors capital using a debt-to-equity ratio, which is net debt divided by total capital. The Group's policy is to keep the ratio not greater than 1.0. The Group includes within net debt long-term borrowings and trade accounts payable. Capital includes equity attributable to the equity holders of the Group.

The debt-to-equity ratio at the year end was as follows:

In thousands of US Dollars	**2009**	**2008**
Loans and borrowings	19, 422	8,531
Trade accounts payable	1,278	4,974
Net debt	20,700	13,505
Equity attributable to the equity holders of the Group	126,285	134,574
Debt-to-equity ratio	0.16	0.10

Fair values

As at December 31, 2009 and 2008 the carrying value of Group's financial assets and liabilities approximate their fair values.