JOINT STOCK COMPANY «MANGISTAU ELECTRICITY DISTRIBUTION COMPANY»

Financial Statements
For the year ended December 31, 2007

and Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2-3, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Joint Stock Company «Mangistau Electricity Distribution Company» (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2007, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal control, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud and other irregularities.

The financial statements for the year ended December 31, 2007 were approved by management and authorized for issue on February 28, 2008.

Signed on behalf of the Management of the Company:

Suleimenov S.
Chairman

February 28, 2008
Aktau, Republic of Kazakhstan

Sarsenova A.
Chief Accountant

February 28, 2008
Aktau, Republic of Kazakhstan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Joint Stock Company "Mangistau Electricity Distribution Company":

We have audited the accompanying financial statements of Joint Stock Company "Mangistau Electricity Distribution Company" (the "Company"), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement 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 financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed under the heading "Basis for qualified opinion", we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

In accordance with the accounting policy of the Company presented in Note 3 to the financial statements, the Company's property, plant and equipment are stated at revalued amounts. IAS 16, "Property, Plant and Equipment" requires that revaluations are made with sufficient regularity to ensure that the carrying amount of property, plant and equipment does not differ materially from that which would be determined using fair value at the balance sheet date. As discussed in Note 5 to the financial statements, the Company has revalued its property, plant and equipment in 2007 and recognized a revaluation adjustment of 6,029,027 thousand tenge. The revaluation adjustment represents approximately 218% of the property, plant and equipment being revalued and resulted in an increase in depreciation expense from 235,040 thousand tenge in 2006 to 396,892 thousand tenge in 2007. The previous revaluation of property, plant and equipment was made in 2003. Due to the significance of the revaluation adjustment recognized in 2007, we were unable to assess whether the carrying value of property, plant and equipment as at December 31, 2006 differed from that which would be determined using fair value as of that date and, accordingly, we were unable to obtain sufficient appropriate audit evidence that the carrying value of property, plant and equipment at December 31, 2006 and the related depreciation expense for the year then ended are comparable to the values reported in 2007, as required by IAS 1, "Presentation of Financial Statements".

Qualified opinion

In our opinion, except for the matter described in the previous paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also audited the adjustments described in Note 3 that were applied to restate the financial statements for the year ended December 31, 2006 to correct an error. In our opinion, such adjustments are appropriate and have been properly applied.

Deloitte, LLP

Daulet Kuatbekov
Engagement Partner
Licensed auditor, Kazakhstan
Certificate №0000523

Deloitte, LLP
Audit license for Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan
dated September 13, 2006.

Nurlan Bekenov
General Director
Deloitte, LLP

February 28, 2008
Almaty, Republic of Kazakhstan

JOINT STOCK COMPANY "MANGISTAU ELECTRICITY DISTRIBUTION COMPANY"

BALANCE SHEET
AS OF DECEMBER 31, 2007
(in thousands of Kazakhstani tenge)

	Notes	2007	2006 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	10,021,589	3,088,141
Advance payments for long-term assets	6	-	700,000
Intangible assets		2,766	1,137
Restricted cash	11	449,820	-
		10,474,175	3,789,278
CURRENT ASSETS			
VAT receivable		88,604	-
Advance corporate income tax paid		19,332	42,210
Inventories	7	97,933	97,570
Trade and other receivables	8	62,058	170,806
Advances paid	6	15,340	11,743
Cash and cash equivalents	9	502,173	493,106
		785,440	815,435
TOTAL ASSETS		11,259,615	4,604,713
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	980,893	980,893
Reserve capital		141,896	141,896
Revaluation reserve		4,616,731	683,525
Retained earnings		789,312	461,364
		6,528,832	2,267,678
LONG-TERM LIABILITIES			
Long-term bonds	10	1,692,626	1,197,639
Long-term loans	11	150,530	-
Deferred revenue	11	299,290	-
Liability component of preferred shares	15	40,228	40,228
Deferred tax liabilities	20	2,122,356	285,757
		4,305,030	1,523,624
CURRENT LIABILITIES			
Current portion of long-term bonds	10	72,660	609,755
Trade payables	12	169,672	122,313
Advances received		117,394	3,069
Taxes payable	13	12,443	14,420
Accrued liabilities and other payables	14	53,584	63,854
		425,753	813,411
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		11,259,615	4,604,713

On behalf of the Management of the Company:

Suleimenov S.
Chairman

February 28, 2008
Aktau, Republic of Kazakhstan

Sarsenova A.
Chief Accountant

February 28, 2008
Aktau, Republic of Kazakhstan

The notes on pages 8-28 form an integral part of these financial statements. Independent auditors' report is on page 2-3.

JOINT STOCK COMPANY "MANGISTAU ELECTRICITY DISTRIBUTION COMPANY"

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007
(in thousands of Kazakhstani tenge)

	Notes	2007	2006 (Restated)
Revenue	16	2,702,954	2,170,730
Cost of sales	17	(2,186,901)	(1,696,699)
GROSS PROFIT		516,053	474,031
General, administrative and selling expenses	18	(238,361)	(224,781)
Other income/(loss), net	19	5,951	(9,713)
OPERATING INCOME		283,643	239,537
Finance costs		(209,839)	(152,560)
Foreign exchange gain/(loss), net		120	(1,338)
INCOME BEFORE INCOME TAX		73,924	85,639
Income tax expense	20	(27,891)	(39,284)
INCOME FOR THE YEAR		46,033	46,355
Basic and diluted earnings per share (in tenge)	21	29.1	29.3

On behalf of the Management of the Company:

Suleimenov S.	**Sarsenova A.**
Chairman	**Chief Accountant**
February 28, 2008	February 28, 2008
Aktau, Republic of Kazakhstan	Aktau, Republic of Kazakhstan

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

(in thousands of Kazakhstani tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve	Reserve capital	Retained earnings	Total
Balance as of December 31, 2005		980,893	6,011	812,163	135,885	332,733	2,267,685
Effect of changes in the accounting for preferred shares						(40,228)	(40,228)
As restated		980,893	6,011	812,163	135,885	292,505	2,227,457
Amortization of revaluation reserve		-	-	(128,638)	-	128,638	-
Net (loss)/gain recognized directly in equity		-	-	(128,638)	-	128,638	-
Profit for the year		-	-	-	-	46,355	46,355
Dividends	15	-	-	-	-	(6,134)	(6,134)
Transfer to reserve capital		-	(6,011)	-	6,011	-	-
Balance as of December 31, 2006 (Restated)		980,893	-	683,525	141,896	461,364	2,267,678
Revaluation of property, plant and equipment	5	-	-	6,029,027	-	-	6,029,027
Amortization of revaluation reserve		-	-	(287,113)	-	287,113	-
Deferred tax on revaluation reserve	20	-	-	(1,808,708)	-	-	(1,808,708)
Net gain recognized directly in equity		-	-	3,933,206	-	287,113	4,220,319
Profit for the year		-	-	-	-	46,033	46,033
Dividends	15	-	-	-	-	(5,198)	(5,198)
Balance as of December 31, 2007		980,893	-	4,616,731	141,896	789,312	6,528,832

On behalf of the Management of the Company:

Suleimenov S.	**Sarsenova A.**
Chairman	**Chief Accountant**
February 28, 2008	February 28, 2008
Aktau, Republic of Kazakhstan	Aktau, Republic of Kazakhstan

The notes on pages 8-28 form an integral part of these financial statements. Independent auditors' report is on page 2-3.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
(in thousands of Kazakhstani tenge)

	Note	2007	2006 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		73,924	85,639
Adjustments:			
Depreciation and amortization charges	17, 18	397,184	235,298
(Reverse)/accrual of provisions	18	(29,370)	27,005
Finance costs		209,839	152,560
Loss from disposal of property, plant and equipment	19	1,400	15,139
Other corrections		(888)	-
Operating cash flows before changes in working capital		652,089	515,641
(Increase)/decrease in operating assets:			
Trade and other receivables	8	115,877	(76,222)
Inventories	7	22,535	(2,848)
Advances paid	6	(4,206)	671
VAT receivable		(88,604)	-
Increase/(decrease) in operating liabilities:			
Trade payables		47,359	85,501
Accrued liabilities and other payables		(10,270)	(559)
Taxes payable		(1,977)	(5,984)
Advances received		114,325	(9,105)
Cash generated from operations		847,128	507,095
Interest paid		(169,500)	(141,123)
Corporate income tax paid		(20,622)	(57,942)
Net cash from operating activities		657,006	308,030
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant, equipment and intangible assets		(577,430)	(939,642)
Net cash used in investing activities		(577,430)	(939,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(9,609)	(26,627)
Bond paid		(560,900)	-
Proceeds from bond issuance		500,000	700,000
Receipts of funds for connection to additional capacities	11	449,820	
Net cash from financing activities		379,311	673,373
NET INCREASE IN CASH AND CASH EQUIVALENTS		458,887	41,761
CASH AND CASH EQUIVALENTS, at the beginning of the year	9	493,106	451,345
CASH AND CASH EQUIVALENTS, at the end of the year	9	951,993	493,106

On behalf of the Management of the Company:

Suleimenov S.
Chairman

February 28, 2008
Aktau, Republic of Kazakhstan

Sarsenova A.
Chief Accountant

February 28, 2008
Aktau, Republic of Kazakhstan

The notes on pages 8-28 form an integral part of these financial statements. Independent auditors' report is on page 2-3

(in thousands of Kazakhstani tenge)

1. GENERAL INFORMATION

The Joint Stock Company "Mangistau Electricity Distribution Company" ("the Company") renders services of transmission of electricity, technical dispatch of electricity input to the net and sale of electricity to customers in Mangistauskaya oblast, Republic of Kazakhstan. The Company was registered as Joint Stock Company in October 4, 1996. On November 12, 1998, the Company was re-registered as Open Joint Stock Company. The last re-registration was on May 16, 2005 in accordance with the Decree # 507-1943-AO of the Justice Department of Mangistau region of the Republic of Kazakhstan.

The State Property and Privatization Committee of the Republic of Kazakhstan (the "Committee") owned 94.3% of issued shares of the Company. The rest of shares belong to former or present employees of the Company. On July 30, 1997 the Committee's shares were transferred to LLP Energoservice for trust management for 5 years with the right of further extension up to three years. The Committee extended the period of trust management to December 31, 2006.

On December 29, 2006 the Committee's shares were transferred to the share capital of JSC "Kazakhstani State Asset Management Holding "Samruk" under resolution of the Government of the Republic of Kazakhstan №1020 dated October 24, 2006.

Operating activity of the Company is regulated by the Law of the Republic of Kazakhstan "On natural monopolies" (the "Law") due to the fact that the Company is a natural monopolist in electricity transmission and technical dispatching. In accordance with the Law, electricity transmission and technical dispatch tariffs of the Company are subject to co-ordination and approval of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies (the "Agency").

The Company's number of employees as of December 31, 2007 was 559 (2006: 538).

Legal name of the Company:	JSC «Mangistau Electricity Distribution Company»
Legal address of the Company:	Aktau, 130000, Mangistauskaya oblast, Republic of Kazakhstan
Legal registration number:	# 507-1943-AO registered with the Ministry of Justice of Mangistauskaya oblast on October 4, 2006
Legal status of the Company:	Joint-stock company

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2007.

In the current year, the Company has adopted:

- IFRS 7, "Financial Instruments: Disclosures" – effective for annual reporting periods beginning on or after 1 January 2007; and
- the consequential amendments to IAS 1, "Presentation of Financial Statements".

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Company's financial instruments and management of capital.

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;
- IFRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded Derivatives;
- IFRIC 10 Interim Financial Reporting and Impairment.

The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

At the date of authorization of these financial statements the following Standards and Interpretations were in issue but not yet effective:

New Standards:

- IFRS 8 Operating Segments – effective for annual periods beginning on or after 1 January 2009.

Amendments to Standards:

- IAS 23 Borrowing Costs – effective for annual periods beginning on or after 1 January 2009;
- IAS 1 Presentation of Financial Statements – effective for annual periods beginning on or after 1 January 2009.

New Interpretations:

- IFRIC 11 - IFRS 2: Group and Treasury Share Transactions – effective for annual periods beginning on or after 1 March 2007;
- IFRIC 12 Service Concession Arrangements – effective for annual periods beginning on or after 1 January 2008;
- IFRIC 13 Customer Loyalty Programmes – effective for annual periods beginning on or after 1 January 2008;
- IFRIC 14 - IAS 19: The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction – effective for annual periods beginning on or after 1 January 2008.

The Company anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The financial statements have been prepared on the historical cost basis except for the revaluation of property, plant and equipment and the financial instruments.

Functional and presentation currency

The functional and presentation currency of the accompanying financial statements is the Kazakhstani tenge.

Going concern

The accompanying financial statements have been prepared on a going concern basis, which allows for the realization of assets and the satisfaction of liabilities of the Company in the normal course of business.

These financial statements do not include any adjustments in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that might result from the outcome of this uncertainty, and such adjustments may be material.

Financial assets

Financial assets are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories:

- financial assets as at fair value through profit or loss ("FVTPL");
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Property, plant and equipment

Acquisition of property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment comprises their purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Subsequent expenditures on property, plant and equipment, such as repairs and maintenance, are recognized as an expense in the period in which they are incurred.

In March 2007, the Company revalued all property, plant and equipment. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation increase arising on the revaluation of assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of assets is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued property, plant and equipment are charged to income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation reserve remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is accrued and recorded in an income statement according to the straight-line method over the expected useful life of the specific assets. Depreciation is accrued from the moment an asset is purchased or, for assets the Company has purchased, from the moment construction is completed and the asset is commissioned. Land is not depreciable. Deprecation is calculated for the following average useful lives of assets:

Assets group	Useful lives
Buildings	from 33 to 100 years
Transmission lines and equipment	from 25 to 50 years
Vehicles	from 7 to 8 years
Other fixed assets	from 5 to 7 years

Construction in progress represents property, plant and equipment at the construction stage and carried at cost. The cost includes cost of construction, property, plant and equipment and other direct costs. Depreciation of these assets commences when the assets are ready for their intended use.

Gains or losses arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Intangible assets

Software used in operations is recorded at historical cost. Amortization is calculated on a straight-line basis at a rate of 15%, which approximates the estimated useful lives of the assets.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land, buildings, other than investment property, or equipment, carried at a revalued amount, in which case the impairment loss is treated as a decrease in the related revaluation reserve.

Inventories

Inventories are recorded at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the normal course of business less estimated selling expenses.

The cost of inventories is calculated using FIFO method and includes direct materials and, where applicable, direct labor costs and those overheads, which have been incurred in bringing the inventories to their present location and condition.

Revenue recognition

The Company receives its revenue from rendering services of transmission of electricity from power generators to customers. Revenue is recorded when services are rendered.

Expense recognition

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or their equivalent are paid, and are reported in the financial statements in the period to which they relate.

Finance costs

Finance costs are recognized as expenses in the period in which they are incurred. Any discounts or premiums associated with borrowings are recorded to income based on the effective interest rate method.

Foreign currency transactions

Operations in currency other than tenge are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are recorded in the financial statements using market exchange rates as of the balance sheet date. Foreign exchange gain or loss on these transactions is recorded in the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax – The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxes on income are computed in accordance with the laws of the Republic of Kazakhstan.

Deferred tax – Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Financial liabilities

Financial liabilities are classified into the following specified categories:

- financial guarantee contract; and
- other financial liabilities.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Other financial liabilities

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

Retirement benefit costs

In accordance with legislative requirements of the Republic of Kazakhstan the Company pays an amount equivalent to 10% of each employee's wage into an employee pension fund, but no more than 73,140 tenge per month (2006: 69,000 tenge per month) as contributions to savings pension funds. These amounts are expensed when they are incurred. Pension fund payments are withheld from employees' salaries and included with other salary costs in the consolidated income statement. The Company has no other pension payment liabilities.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

Restatement

Subsequent to the issuance of the Company's 2006 financial statements, the Company's management determined that the Company's preferred shares should be considered as a compound instruments in accordance with IAS 32, "Financial Instruments: Presentation". The standard requires that the proceeds from issuance of such a compound instrument are classified as equity or liability based on the underlying rights of each component of the instrument: a contractual obligation to pay dividends is classified as a liability and a right to participate in final distributions to shareholders is classified as equity. To comply with the changes in IAS 32, the financial statements have been restated from the amounts previously reported.

The following accounts were changed:

	2006 before restatement	**2006 as restated**
Balance sheet items:		
SHAREHOLDERS' EQUITY		
Retained earnings	501,592	461,364
LONG-TERM LIABILITIES		
Liability component of preferred shares	-	40,228
Income statement items:		
Finance costs	(146,928)	(152,560)
Income before income tax	91,271	85,639
Income for the year	51,987	46,355

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Property, plant and equipment

As described in Note 3, according to accounting policy the Company performs revaluations of property, plant and equipment with sufficient regularity. The last revaluation of property, plant and equipment was undertaken on March 31, 2007. Management believes that carrying value of revalued property, plant and equipment at December 31, 2007 and December 31, 2006 approximates their fair value.

Impairment of assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating units to which the item is allocated. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for doubtful debts

The Company creates provision for doubtful debts when there is objective evidence that the Company will not be able to collect all amounts in accordance with the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The change in provision is recognized in the income statement.

Provision for obsolete inventory

The Company periodically assesses its inventory balance for creation of provision against obsolete inventories less a strategic reserve kept for emergency cases. Reserves are kept to cover an emergency situation of high demand.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Transmission lines and equipment	Vehicles	Other	Construction in progress	Total
Cost						
Balance as of January 1, 2006	388,868	7,407,686	64,324	56,396	145,495	8,062,769
Additions	-	2,826	39,514	10,682	542,754	595,776
Transfer from CIP	-	499,524	-	-	(499,524)	-
Disposals	(24,034)	(12,672)	(292)	(3,478)	(13,342)	(53,818)
Impairment	-	-	-	-	(5,821)	(5,821)
Balance as of January 1, 2007	364,834	7,897,364	103,546	63,600	169,562	8,598,906
Additions	-	6,635	13,079	10,213	1,245,582	1,275,509
Transfer from inventory	-	-	-	-	30,386	30,386
Transfer from CIP	-	1,263,546	-	-	(1,263,546)	-
Disposals	-	(57,954)	(9,195)	(6,317)	(7,879)	(81,345)
Reversal of impairment	-	-	-	-	5,821	5,821
Revaluation increase/(decrease)	371,137	28,906,845	-	-	(2,982)	29,275,000
Balance as of December 31, 2007	735,971	38,016,436	107,430	67,496	176,944	39,104,277
Accumulated depreciation						
Balance as of January 1, 2006	(254,871)	(4,991,468)	(46,159)	(21,906)	-	(5,314,404)
Charge for the year	(5,298)	(216,279)	(7,211)	(6,252)	-	(235,040)
Disposals	23,652	12,155	292	2,580	-	38,679
Balance as of January 1, 2007	(236,517)	(5,195,592)	(53,078)	(25,578)	-	(5,510,765)
Charge for the year	(8,774)	(372,259)	(9,309)	(6,550)	-	(396,892)
Disposals	-	58,323	8,029	4,590	-	70,942
Revaluation increase	(192,407)	(23,053,566)	-	-	-	(23,245,973)
Balance as of December 31, 2007	(437,698)	(28,563,094)	(54,358)	(27,538)	-	(29,082,688)
Net book value as of December 31, 2006	128,317	2,701,772	50,468	38,022	169,562	3,088,141
Net book value as of December 31, 2007	298,273	9,453,342	53,072	39,958	176,944	10,021,589

During 2007 the Company revalued its buildings and transmission lines and equipment. The previous revaluation was made in 2003.

As of December 31, 2007 and 2006 fully depreciated property, plant and equipment amounted to 102,851 thousand tenge and 204,613 thousand tenge, respectively.

6. ADVANCES PAID

	2007	2006
Advances for works and services	9,809	44,530
Advances for materials and supplies	7,042	668,115
	16,851	712,645
Less: provision for doubtful accounts	(1,511)	(902)
	15,340	711,743
Less: advance payments for long-term assets	-	(700,000)
	15,340	11,743

Advance payment for long-term assets was made to JSC ASPMK-519 for construction of high-voltage line and reconstruction of the electric station at the Karakiyak region (See Note 23).

Movement in provision for doubtful accounts in respect of advances paid:

	2007	2006
Balance at beginning of the year	902	1,317
Recognized in the income statement	1,914	-
Amounts written-off as uncollected	(1,305)	(415)
Balance at the end of the year	1,511	902

7. INVENTORIES

	2007	2006
Materials	98,924	116,133
Spare parts	3,702	4,833
Fuel and lubricants	2,952	3,027
Other inventories	13,368	17,488
	118,946	141,481
Less: provision for obsolete inventory	(21,013)	(43,911)
	97,933	97,570

Movement in provision for obsolete inventory:

	2007	2006
Balance at beginning of the year	43,911	44,806
Recognized in the income statement as gain	(18,396)	-
Write-off of provision	(4,502)	(895)
Balance at the end of the year	21,013	43,911

8. TRADE AND OTHER RECEIVABLES

	2007	2006
Trade accounts receivables	53,004	164,938
Employee receivables	456	4,677
Other receivables	9,232	8,954
	62,692	178,569
Less: provision for doubtful accounts	(634)	(7,763)
	62,058	170,806

Movement in provision for doubtful accounts in respect of trade and other receivables:

	2007	2006
Balance at beginning of the year	7,763	4,334
Recognized in the income statement	-	6,646
Amounts written-off as uncollected	(62)	(3,217)
Amount recovered during the year	(7,067)	-
Balance at the end of the year	634	7,763

9. CASH AND CASH EQUIVALENTS

	2007	2006
Cash in bank	951,718	491,838
Petty cash	275	1,268
	951,993	493,106
Less: Restricted cash (Note 11)	(449,820)	-
	502,173	493,106

10. BONDS

	2007	2006
Interest accrued:		
Bond identification number – KZ2CKY03B047	-	15,981
Bond identification number – KZPC1Y05B665	23,556	23,556
Bond identification number – KZPC2Y05B665	9,333	9,333
Bond identification number – KZPC3Y05B663	39,771	-
Current portion of long-term borrowing:		
Bond identification number – KZ2CKY03B047	-	560,885
	72,660	609,755
Long term borrowing:		
Bond identification number – KZPC1Y05B665	496,602	498,593
Bond identification number – KZPC2Y05B665	699,241	699,046
Bond identification number – KZPC3Y05B663	496,783	-
	1,692,626	1,197,639
	1,765,286	1,807,394

The bonds and interest are repayable as follows:

	2007	2006
Due within three months	23,556	23,556
Due from three to six months	49,104	586,199
Total current portion repayable in one year	72,660	609,755
Due in the second year	-	-
Due from third to fifth year	1,692,626	1,197,639
Due to more than five year	-	-
	1,765,286	1,807,394

In April 2004, the Company issued and placed 560,900,000 long-term tenge denominated coupon bonds without collateral on the Kazakhstan Stock Exchange with a discount of 121 thousand tenge and interest at 13% per annum. The bond issue was assigned KZ2CKY03B047 national identification number. The majority of the bonds were purchased by various pension funds, financial organizations of the Republic of Kazakhstan. The principal and coupon interest was fully repaid on maturity, in April 2007.

In August 2005, the Company issued and placed 500,000,000 second tenge denominated coupon bonds without collateral on the Kazakhstan Stock Exchange with a discount of 456 thousand tenge and interest at 13% per annum. The bond issue was assigned KZPC1Y05B665 of national identification number. The majority of the bonds were purchased by various pension funds, financial organizations of the Republic of Kazakhstan. The bonds mature in August 2010. The first payment of coupon interest is made after a year, subsequently coupon is paid semi-annually. Principal is paid upon maturity.

In November 2006 the Company issued and placed additional 700,000,000 tenge denominated coupon bonds without collateral on the Kazakhstan Stock Exchange with a discount of 25 thousand tenge and interest at 12% per annum. The bond issue was assigned KZPC2Y05B665 of national identification number. Bonds were sold to pension funds and various financial organizations. Bonds mature in November 2011. Coupon interest is paid annually. Principal is paid at the maturity date.

In May 2007 the Company issued and placed 500,000,000 fourth tenge denominated coupon bonds without collateral on the Kazakhstan Stock Exchange with a discount of 104 thousand tenge and interest at 12% per annum. The bond issue was assigned KZPC3Y05B663 of national identification number. Bonds were sold to pension funds and various financial organizations. Bonds mature May 2012. Coupon interest is paid annually. Principal is paid at the maturity date.

As mentioned in Note 25, in February 2008 the Company issued and placed the additional 800,000,000 tenge denominated bonds.

11. LONG-TERM LOANS

Based on the resolution of the Government of the Republic of Kazakhstan #1044 dated October 8, 2004 the Company gathers funds from customers which want to have access to the electricity lines with certain capacities. To provide it Company should build new electrical transmissions line and reconstruct old ones. Company concluded agreements on such access with the consumers, which state that the consumers fund the construction of new electrical transmissions line or reconstruction of old ones. These funds are interest free. According to the agreements the Company placed all cash collected to the special bank account. Company plans to use these funds only for the construction of new lines or for upgrading the existing lines. As of December 31, 2007 the Company received 449,820 thousand tenge. The funds received from the consumers were recognized at fair value and the fair value was determined by discounting at prevailing market rate of 12%. The difference between nominal and discounted amount of 299,290 thousand tenge was recognized as deferred revenue and will be amortized over useful life of new electrical transmissions line or reconstructed old ones.

12. TRADE PAYABLES

	2007	2006
Accounts payable for purchased electricity and natural losses	147,006	101,422
Accounts payable for works and services	21,248	17,041
Accounts payable for fuel and other materials	1,418	3,850
	169,672	122,313

The table below summarizes the maturity profile of the Company's trade payables payments:

	2007	2006
Due within three months	169,105	114,697
Due from three to six months	-	7,616
Due from six months to twelve months	567	-
	169,672	122,313

13. TAXES PAYABLE

	2007	2006
Social tax	6,523	6,511
Personal income tax	4,860	4,503
Property tax payable	1,060	-
VAT payable	-	2,870
Other taxes	-	536
	12,443	14,420

14. ACCRUED LIABILITIES AND OTHER PAYABLES

	2007	2006
Salary payable	22,664	20,290
Vacation reserve	10,123	18,170
Pension fund payables	7,783	7,882
Dividends payable	7,396	7,020
Other payables	5,618	10,492
	53,584	63,854

15. SHARE CAPITAL

	2007			2006		
Shareholder	Number of shares	Amount	%	Number of shares	Amount	%
Ordinary Shares:						
JSC "Kazakhstani State Asset Management Holding "Samruk"	1,580,467	924,574	94.3%	1,580,467	924,574	94.3%
Preferred shares:						
Individuals – at nominal value	96,272	56,319	5.7%	96,272	56,319	5.7%
	1,676,739	980,893	100%	1,676,739	980,893	100%

In accordance with the legislation of the Republic of Kazakhstan, effective August 1998, the Company created a reserve capital of 135,885 thousand tenge, which was 15% of share capital at the moment of creation.

In 2006, the Company accrued dividends of 5,632 thousand tenge on preferred shares only. In 2006, the Company accrued and paid management fee in the amount of 6,134 thousand tenge. Dividends on preferred stock were accrued in accordance with the charter of the Company, which established dividends at 10% of the nominal value of the cumulative preferred stock.

In 2007, the Company accrued dividends of 10,830 thousand tenge. 5,198 thousand tenge and 5,632 thousand tenge of dividends were allocated among common and preferred shareholders, correspondingly. Dividends were accrued under the Resolution of the Company's shareholder, JSC "Kazakhstani State Asset Management Holding "Samruk" dated July 6, 2007.

As was mentioned in Note 3, Company's preferred shares were considered as a compound instruments in accordance with IAS 32, "Financial Instruments: Presentation" (revised). To comply with the changes in IAS 32, the financial statements have been restated from the amounts previously reported.

In December 2007, based on the decision of the Company's shareholder, JSC "Kazakhstani State Asset Management Holding "Samruk", was announced to increase number of authorized shares for 430,549 common shares. As of December 31, 2007, these shares were not registered.

16. REVENUE

	2007	2006
Electricity transmission	2,555,964	2,051,619
Sale of electricity	146,990	119,111
	2,702,954	2,170,730

Based on the resolution of the Agency of the Republic of Kazakhstan on regulation of natural monopolies #01-05.07-OD dated March 8, 2006, effective from May 1, 2006 tariff for the transmission of electricity was increased from 0.73 Tenge to 1.31 Tenge per 1 kilowatt-hour.

17. COST OF SALES

	2007	2006
Electricity losses	993,509	593,800
Depreciation and amortization	392,174	229,465
Payroll expenses and related costs	366,402	344,911
Inventory	179,082	194,498
Repair and other third party services	121,420	210,258
Purchased electricity	99,648	83,991
Travel expenses	24,941	30,782
Electricity for own purpose	9,725	8,994
	2,186,901	1,696,699

From May 2006, the tariff for the transportation of electricity started to include the electricity transportation natural losses incurred during the electricity transportation through the Company's network. Accordingly, sole supplier of the Company, MAEK-Kazatomprom LLP, invoices electricity losses to the Company.

18. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2007	2006
Payroll expenses and related costs	114,497	116,586
Taxes other than income tax	60,277	24,291
Inventory	13,432	12,766
Legal services	12,000	12,000
Audit fee	9,617	4,426
Consulting services	8,383	1,614
Property, plant and equipment revaluation of assets services	7,018	-
Representative expenses	6,288	7,427
Depreciation and amortization	5,010	5,833
Travel expenses	4,636	4,486
Communication expenses	4,618	6,501
Advertising expenses	3,093	882
Post services	2,974	2,302
Rent of vehicles	2,917	2,461
Bank charges	2,804	3,305
Insurance expenses	2,760	1,477
Sponsorship	500	3,232
Impairment of construction in progress	(5,821)	5,821
Provision for doubtful debt	(5,153)	6,646
Provision for obsolescence of inventory	(18,396)	-
Other	6,907	2,725
	238,361	224,781

19. OTHER INCOME/(LOSS), NET

	2007	2006
Other income:		
Income from sale of inventory	743	1,214
Other income	7,146	4,487
	7,889	5,701
Other loss:		
Loss from disposal of property, plant, and equipment	(1,400)	(15,139)
Other expenses	(538)	(275)
	(1,938)	(15,414)
	5,951	(9,713)

20. TAXATION

The Company's provision for income tax for the years ended December 31, 2007 and 2006 is as follow:

	2007	2006
Current income tax	-	19,649
Deferred income tax	27,891	19,635
Income tax expense	27,891	39,284

Deferred income tax liabilities as of December 31, 2007 and 2006 consisted of the following:

	2007	2006
Deferred tax assets:		
Provisions	9,984	22,970
Loss carry forward	14,232	-
Taxes	2,276	2,114
	26,492	25,084
Deferred tax liabilities:		
Property, plant and equipment and intangible assets	(2,148,146)	(310,240)
Discount and expense on bonds	(702)	(601)
	(2,148,848)	(310,841)
Deferred tax liabilities, net	(2,122,356)	(285,757)

Effect of revaluation reserve on deferred tax of 1,808,708 thousand tenge was directly recognized in the shareholder's equity as reduction of revaluation reserve.

Reconciliation of corporate income taxes from the statutory rate of 30% to corporate income tax expense for the period ended December 31, 2007 and 2006 is as follows:

	2007	2006 (Restated)
Income before income tax	73,924	85,639
Income tax at statutory rate of 30%	22,177	25,692
Tax effect of permanent differences	5,714	13,592
Income tax expense	27,891	39,284

21. BASIC AND DILUTED EARNINGS PER SHARE

	2007	2006 (Restated)
Profit for the year	46,033	46,355
Net profit attributable to ordinary shareholders	46,033	46,355
Weighted average number of ordinary outstanding shares	1,580,467	1,580,467
Basic and diluted earnings per share (in tenge)	29.1	29.3

22. FINANCIAL RISK MANAGEMENT

Management of risk is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to liquidity risk, credit risk exposures and market movements in interest rates. A description of the Company's risk management policies in relation to those risks follows:

Major categories of financial instruments

The Company's principle financial liabilities comprise bonds and borrowings, trade payables and provisions and accruals. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables cash and cash equivalents.

	2007	2006
Financial assets		
Cash and cash equivalents	502,173	493,106
Restricted cash	449,820	-
Trade and other receivables	62,058	170,806
Total financial assets	1,014,051	663,912
Financial liabilities		
Current portion of long-term bonds	72,660	609,755
Liability component of preferred shares	40,228	40,228
Long term bonds	1,692,626	1,197,639
Long-term loans	150,530	-
Total financial liabilities	1,956,044	1,847,622

Liquidity risk

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

The following table details the Company's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay.

2007	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and above	Undefined maturity	Total
ASSETS							
Cash and cash equivalents	502,173	-	-	-	-	-	502,173
Restricted cash	-	-	-	-	449,820	-	449,820
Trade and other receivables	47,917	2,216	11,877	48	-	-	62,058
Advances paid	12,666	82	443	2,149	-	-	15,340
Advance corporate income tax paid	-	-	19,332	-	-	-	19,332
VAT receivable	-	-	88,604	-	-	-	88,604
Total assets	562,756	2,298	120,256	2,197	449,820	-	1,137,327
LIABILITIES							
Current portion of long-term bonds	-	(23,556)	(49,104)	-	-	-	(72,660)
Taxes payable	(12,443)	-	-	-	-	-	(12,443)
Trade payables	(169,092)	(13)	-	(567)	-	-	(169,672)
Advances received	-	(117,394)	-	-	-	-	(117,394)
Accrued liabilities and other payables	(30,445)	-	(23,139)	-	-	-	(53,584)
Long term bonds	-	-	-	(1,692,626)	-	-	(1,692,626)
Liability component of preferred shares	-	-	-	-	-	(40,228)	(40,228)
Deferred tax liabilities	-	-	-	-	-	(2,122,356)	(2,122,356)
Long-term loans	-	-	-	-	(150,530)	-	(150,530)
Deferred revenue	-	-	-	-	(299,290)	-	(299,290)
Total liabilities	(211,980)	(140,963)	(72,243)	(1,693,193)	(449,820)	(2,162,584)	(4,730,783)
Net Position (2007)	350,776	(138,665)	48,013	(1,690,996)	-	(2,162,584)	(3,593,456)

2006	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5 years and above	Undefined maturity	Total
ASSETS							
Cash and cash equivalents	493,106	-	-	-	-	-	493,106
Trade and other receivables	148,181	21,881	744	-	-	-	170,806
Advances paid	2,823	7,636	1,284	-	-	-	11,743
Advance corporate income tax paid	-	42,210	-	-	-	-	42,210
Advance payments for long-term assets	-	-	700,000	-	-	-	700,000
Total assets	644,110	71,727	702,028	-	-	-	1,417,865
LIABILITIES							
Current portion of long-term bonds	-	(23,556)	(586,199)	-	-	-	(609,755)
Taxes payable	(14,420)	-	-	-	-	-	(14,420)
Trade payables	(114,697)	-	(7,616)	-	-	-	(122,313)
Advances received	-	(3,069)	-	-	-	-	(3,069)
Accrued liabilities and other payables	(28,172)	-	(35,682)	-	-	-	(63,854)
Long term bonds	-	-	-	(1,197,639)	-	-	(1,197,639)
Liability component of preferred shares	-	-	-	-	-	(40,228)	(40,228)
Deferred tax liabilities	-	-	-	-	-	(285,757)	(285,757)
Total liabilities	(157,289)	(26,625)	(629,497)	(1,197,639)	-	(325,985)	(2,337,035)
Net Position (2006)	486,821	45,102	72,531	(1,197,639)	-	(325,985)	(919,170)

Credit risk

Financial instruments which potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable, securities held to maturity and accounts payable. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparts, it does not expect such losses to occur.

The customers to financial instruments consist primarily of large oil producers, represented by both domestic and international oil companies. 76% of revenue is generated from major four customers. After considering provisions made for allowances for doubtful accounts, the Company does not expect any customer to fail to meet their obligations. The Company places its cash with high-credit rated financial institutions in Kazakhstan.

The summary below shows the turnover and outstanding balances of top five counterparties as at and for the period ended the respective balance sheet:

	Customer location	2007 Turnover	2007 Outstanding balance	2006 Turnover	2006 Outstanding balance
PF "Uzenmunaigas"	Aktau	1,107,077	-	1,088,564	80,127
JSC "Mangistaumunaigas"	Aktau	523,124	6,173	410,993	1,721
LLP "KAZGPZ"	Aktau	220,021	-	-	-
JSC "Karazhanbasmunai"	Aktau	198,127	-	172,398	5,370
JSC "KazTransOil"	Aktau	83,319	2,209	68,866	349
Total		2,131,668	8,382	1,740,821	87,567

Interest rate risk

The Company's only potential interest rate risk relates to the issued bonds. The Company has fixed coupons payments.

Fair value of financial instruments

The fair value of financial assets and liabilities is determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing model based on discounted cash flow analysis using prices from observable current market transactions.

Management believes that the carrying values of financial assets (refer to Notes 8 and 9) and financial liabilities (refer to Notes 10 and 11) recorded at amortised cost in the financial statements approximates their fair values.

23. COMMITMENTS AND CONTINGENCIES

Operating environment

The Company's principal activities are within the Republic of Kazakhstan. Laws and regulations affecting business operations in the Republic of Kazakhstan are subject to rapid changes and the Company's assets and operations could be at risk due to negative changes in the political and business environment.

Insurance

As of December 31, 2007 and 2006 the Company did not maintain insurance coverage on a significant part of its property, plant and equipment, business interruption or third party liability in respect of property or environmental damage arising from accidents to the Company's property or relating to the Company's operations.

Emergency stock

The Company is obliged to maintain an appropriate level of emergency stock to provide continuous transmission of electricity through the main grid lines. Emergency stock includes spare parts, equipment and materials to be used immediately in emergency cases. Volume of emergency stock is defined under the industry standards. The sizes of the emergency stock are set according to production/technical requirements.

Significant contract

In 2006 the Company signed a contract with JSC ASPMK-519 for construction of high-voltage line and reconstruction of the electric station at the Karakiyak region ("Kuryk" project). The total amount of "Kuryk" investment project is 1,324,878 thousand tenge. Based on the contract, as of December 31, 2006 Company prepared 700,000 thousand tenge (see Note 6). In November 2007 the Company completed implementation of this contract and spent in total 1,200,360 thousand tenge.

Legal issue and claims

In the ordinary course of business, the Company is subject to legal actions and claims. Management believes that the ultimate liability, if any, arising from these actions will not have a material adverse effect on the financial position or the results of future operations of the Company.

Tax contingencies

Kazakhstan legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. 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 laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid. Interest is assessable at 20% per annum. As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determined. Because of the uncertainties associated with the Kazakhstan 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, 2007. It is not practical to determine the amount of unasserted claims that may arise, if any, or the likelihood of any unfavorable outcome.

24. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of shareholders, key management personnel and entities which are under common ownership of JSC "Kazakhstani State Asset Management Holding "Samruk".The related party transactions are as follows as of December 31, 2007 and 2006 and for the years then ended:

Transportation of electricity

	2007	**2006**
PF "Uzenmunaigas"	1,107,077	1,088,564
JSC "Kaztransoil"	83,319	68,866
Other	19,934	2,754
	1,210,330	1,160,184

Purchases of goods, services and other charges

	2007	**2006**
JSC "KEGOC"	22,011	13,551
JSC "Kazakhtelecom"	3,476	5,473
Other	4,417	839
	29,904	19,863

As a result of the above transactions, the Company had the following balances due from (due to) related parties as of December 31, 2007 and 2006:

Balances due to related parties

	2007	**2006**
PF "Uzenmunaigas"	68,903	-
JSC "KEGOC"	568	3,018
JSC "Kazakhtelecom"	-	379
Other	48	-
	69,519	3,397

Balances due from related parties

	2007	**2006**
JSC "Kaztransoil"	2,209	348
PF "Uzenmunaigas"	-	80,127
Other	2,129	-
	4,338	80,475

Transactions with related parties are not made necessarily at arm-length conditions.

For the years ended December 31, 2007 and 2006, the total short-term compensation for key management personnel amounted to 24,965 thousand tenge and 18,061 thousand tenge, respectively.

25. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

In February, 2008 the Company issued and placed the additional 800,000,000 tenge denominated coupon bonds without collateral on the Kazakhstan Stock Exchange with coupon interest at 16% per annum. The bond issue was assigned KZPC4Y05B661 of the national identification number. Bonds mature in February 2013. Coupon interest is paid annually. Principal is paid at the maturity date.