



Kazakhstan - China Pipeline Group

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report**

31 December 2010

(Translated from the Russian original)

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Management’s responsibility for the consolidated financial statements for the year ended 31 December 2010

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Translated from the Russian original

**MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Enclosed consolidated financial statements were prepared by the management, which bears responsibility for its full and accurate representation. The management considers that the consolidated financial statements, preparation of which requires formation of certain estimates and judgments, fairly and accurately represent the financial position, results of its operations, and the cash flows of the Kazakhstan-China Pipeline LLP (hereafter "Company"), and its subsidiary (hereafter the Company and its subsidiary are referred to as a "Group") in accordance with International Financial Reporting Standards ("IFRS").

Management of the Group implements relevant policies, procedures and systems of internal control in order to maintain compliance and consistency of reporting practices, accounting and administering procedures at reasonable costs. These methods and procedures are intended to provide reasonable assurance that operations are accurately reflected and summarized in accounting records for preparation of fair financial records and reports and safeguarding of assets.

These consolidated financial statements for the year ended 31 December 2010 have been approved for issue by the management on 17February 2011.

Approved for issue and signed on behalf of the Management on 17 February 2011:


Zhang Chengwu
General Director




Tang Jing
Deputy General Director /
Chief Accountant



INDEPENDENT AUDITOR'S REPORT

To the Owners of Kazakhstan-China Pipeline Group:

We have audited the accompanying consolidated financial statements of Kazakhstan-China Pipeline LLP and its subsidiary (together "Group") which comprise the consolidated statement of financial position as at 31 December 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

PricewaterhouseCoopers LLP

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Page 2

Opinion

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

Emphasis of matter

We draw attention to Note 17 to accompanying consolidated financial statements, which describes the uncertainty related to the outcome of the criminal case filed against the Company's management by the finance police. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
17 February 2011

Approved by:

Zhanbota T. Bekenov
Managing Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the
Republic of Kazakhstan №0000005 dated 21 October 1999)



Signed by:

Maigul S. Rakhimbekova
Auditor in charge
(Qualified Auditor's Certificate
№00056 dated 28 February 1994)



Our report has been prepared in Russian and in English. In all matters of interpretation of information, views or opinions, the Russian version of our report takes precedence over the English version.

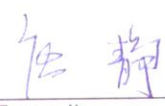
Kazakhstan-China Pipeline Group
Consolidated Statement of Financial Position

<i>In thousands of Kazakhstani tenge</i>	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	6	186,320,504	187,958,407
Other non-current assets	7	8,886,900	4,486,365
Total non-current assets		195,207,404	192,444,772
Current assets			
Inventories	8	240,456	175,059
Receivables from related parties	5	-	44,628
Other current assets	9	469,857	22,012,159
Cash and cash equivalents	10	10,417,333	14,423,629
Total current assets		11,127,646	36,655,475
TOTAL ASSETS		206,335,050	229,100,247
OWNERS' EQUITY AND LIABILITIES			
Owners' equity			
Charter capital		13,000,000	13,000,000
Accumulated deficit		(24,606,409)	(38,794,565)
Cumulative translation adjustment		35,755	39,299
TOTAL OWNERS' EQUITY		(11,570,654)	(25,755,266)
LIABILITIES			
Non-current liabilities			
Borrowings	11	201,892,812	240,074,334
Deferred tax liability	16	3,009,259	1,684,529
Total non-current liabilities		204,902,071	241,758,863
Current liabilities			
Trade payable	12	2,354,669	2,628,291
Accounts payable to related parties	5	8,578,477	7,958,974
Other payables and accrued liabilities	13	2,070,487	2,509,385
Total current liabilities		13,003,633	13,096,650
TOTAL LIABILITIES		217,905,704	254,855,513
TOTAL OWNERS' EQUITY AND LIABILITIES		206,335,050	229,100,247

Approved for issue and signed on behalf of the Management on 17 February 2011:



Zhang Chengwu
General Director


Tang Jing
Deputy General Director/
Chief Accountant

The accompanying notes on pages 5 to 27 are an integral part of these consolidated financial statements.
Translated from the Russian original

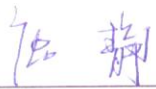
Kazakhstan-China Pipeline Group
Consolidated Statement of Comprehensive Income

<i>In thousands of Kazakhstani tenge</i>	Note	2010	2009
Revenue		48,366,731	20,821,579
Cost of sales	14	(16,223,553)	(9,219,501)
Gross profit		32,143,178	11,602,078
General and administrative expenses	15	(2,480,282)	(1,727,814)
Foreign exchange (loss)/gain, net		(148,366)	2,743,025
Other income/(expenses), net		19,864	(18,538)
Operating profit		29,534,394	12,598,751
Interest expense		(16,982,032)	(10,668,732)
Interest income		1,366,096	198,895
Foreign exchange gain from financing activities		20,552,905	19,159,624
Foreign exchange loss from financing activities		(18,958,477)	(58,072,394)
Profit/(loss) before income tax		15,512,886	(36,783,856)
Income tax expense	16	(1,324,730)	(587,597)
Profit/(loss) for the year		14,188,156	(37,371,453)
Other comprehensive income			
Currency translation adjustment		(3,544)	84,832
Total other comprehensive income		(3,544)	84,832
Total comprehensive income/(loss) for the year		14,184,612	(37,286,621)
Total comprehensive loss/(income) for the year attributable to			
- owners of the Group		14,184,612	(37,286,621)
- minority interest		-	-

Approved for issue and signed on behalf of the Management on 17 February 2011:




Zhang Chengwu
 General Director

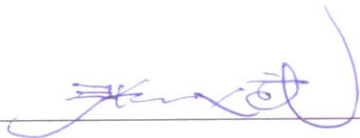


Tang Jing
 Deputy General Director/
 Chief Accountant

Kazakhstan-China Pipeline Group
Consolidated Statement of Changes in Equity

<i>In thousands of Kazakhstani tenge</i>	Charter Capital	Accumulated Deficit	Cumulative translation adjustment	Total
Balance at 1 January 2009	13,000,000	(1,423,112)	(45,533)	11,531,355
Total comprehensive income for the year	-	(37,371,453)	84,832	(37,286,621)
Balance at 31 December 2009	13,000,000	(38,794,565)	39,299	(25,755,266)
Total comprehensive income for the year	-	14,188,156	(3,544)	14,184,612
Balance at 31 December 2010	13,000,000	(24,606,409)	35,755	(11,570,654)

Approved for issue and signed on behalf of the Management on 17 February 2011:



Zhang Chengwu
General Director






Tang Jing
Deputy General Director/
Chief Accountant

Kazakhstan-China Pipeline Group
Consolidated Statement of Cash Flows

<i>In thousands of Kazakhstani tenge</i>	Note	2010	2009
Loss before income tax		15,512,886	(36,783,856)
Adjustments for:			
Interest expense		16,982,032	10,668,732
Interest income		(1,366,096)	(198,895)
Depreciation	6	8,388,893	5,076,238
Amortisation of intangible assets		7,758	7,196
Unrealized foreign exchange loss from financing activities		(1,565,538)	38,894,544
Loss from disposal of property, plant and equipment		714	3,735
Loss from disposal of intangible assets		-	268
Cash flow in operating activity before changes in operating capital:			
Increase in inventories		(159,360)	(11,951)
Decrease in other current assets		3,879,523	7,509,223
Decrease in receivables from related parties		44,628	-
Increase in other non-current assets		(2,921,006)	(4,097,717)
Increase (decrease) in trade payable		708,360	(6,625,804)
Increase (decrease) in accounts payable to related parties		1,071,527	(1,589,863)
Increase/(decrease) in other payables and accrued liabilities		(438,898)	1,441,226
Cash flows from operating activities		40,145,423	14,293,076
Interest paid		(8,975,046)	(7,760,306)
Net cash flow from operating activities		31,170,377	6,532,770
Cash flows from investing activities			
Acquisition of property, plant and equipment		(8,619,453)	(17,487,415)
Proceeds from sales of property, plant and equipment		-	48,719
Acquisition of intangible assets		-	(2,607)
Placement of bank deposits		(31,752,503)	(17,662,780)
Withdrawal of bank deposits		49,415,283	-
Net cash flow provided by/used in investing activities		9,043,327	(35,104,083)
Cash flows from financing activities			
Proceeds from loans		-	22,621,500
Redemption of loans		(44,220,000)	-
Net cash provided by/(used in) financing activities		(44,220,000)	22,621,500
Net changes in cash and cash equivalents		(4,006,296)	(5,949,813)
Cash and cash equivalents at the beginning of the year		14,423,629	20,373,442
Cash and cash equivalents at the end of the year		10,417,333	14,423,629

Approved for issue and signed on behalf of the Management on 17 February 2011:



Zhang Chengwu
General Director


Tang Jing
Deputy General Director/
Chief Accountant

The accompanying notes on pages 5 to 27 are an integral part of these consolidated financial statements.
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1 Kazakhstan-China Pipeline Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2010 for Kazakhstan-China Pipeline LLP (the "Company") and its subsidiary (hereafter collectively referred to as the "Group").

The Company was incorporated on 6 July 2004 and is operating in the Republic of Kazakhstan. The Group is a limited liability partnership and was set up in accordance with the legislation of the Republic of Kazakhstan.

The Company is owned by two participants: China National Operating and Development Corporation ("CNODC"), a subsidiary of China National Petroleum Corporation ("CNPC"), and KazTransOil JSC ("KazTransOil"), a subsidiary of KazMunaiGas National Company JSC ("KazMunaiGas"), each owning 50 percent participant interest in the charter capital of the Company. The Company is jointly controlled by KazTransOil and CNODC on an equal basis. KazTransOil is ultimately controlled by the Kazakh Government through Samruk-Kazyna National Welfare Fund and CNODC is ultimately controlled by the Chinese Government through CNPC, a state owned company.

On 17 May 2004 the Government of the People's Republic of China and the Government of the Republic of Kazakhstan signed the Framework Agreement Concerning Development of Overall Cooperation in the Oil and Gas Sector. Additionally, on 17 May 2004 CNPC and KazMunaiGas signed the Agreement Concerning Main Principles for Construction of Atasu – Alashankou oil pipeline with length of 962.2 km. On 20 December 2006 CNPC and KazMunaiGas signed the Agreement Concerning Main Principles for Construction of the Second Stage of Kazakhstan – China Oil Pipeline and the Additional Agreement No.1 thereto - on 18 August 2007.

The Company is considered to be a monopolist and, accordingly, is an object for regulation by the Natural Monopolies Regulation Agency of the Republic of Kazakhstan (the "Agency"). The Agency approves the tariff rates for oil transportation based on return of capital for assets used.

The Company has a wholly owned subsidiary, KCP Finance B.V., incorporated in the Netherlands. KCP Finance B.V. was incorporated solely for the purpose of issuing the notes to finance the construction of Atasu – Alashankou Oil Pipeline ("Atasu – Alashankou pipeline").

On 17 November 2005 the Company obtained a license to invest, construct, operate and repair the Atasu – Alashankou oil pipeline in China valid until 16 November 2025. In connection with the above, the Group has set up its branch in China.

The Group constructed, and on 28 July 2006 put into operation Atasu – Alashankou pipeline with the capacity of 7 million tons per year. In 2008 the Group put into operation the additional facilities to increase the Atasu – Alashankou pipeline's capacity up to 10 million tons per year.

The Group entered into Agreement No. #1/1-2009 dated 12 January 2009 with PetroChina International Kazakhstan LLP ("PetroChina") on rent of technological oil for operating Atasu – Alashankou pipeline. According to the contract, the cost of rent for one calendar year is 12 million Tenge (VAT inclusive). The technological oil transferred according to rent contract in the amount of 401,449 metric tones belongs to PetroChina International Kazakhstan. The date of the technological oil return to PetroChina is the date of the expiration of rent term.

On 8 May 2008 the Company obtained an approval from the Committee for Construction and Housing and Communal Services under the Ministry of Industry and Trade to carry out construction and assembly operations for Kenkiyak – Kumkol oil pipeline, and signed contracts with KazStroiServices NSCC and China Petroleum Pipeline Engineering Kazakhstan LLP for development, shipping and construction of 794.1 km long Kenkiyak-Kumkol oil pipeline with the annual throughput capacity of 10 million tons.

On 1 July 2009 the construction of linear part of Kenkiyak-Kumkol oil pipeline ("Kenkiyak-Kumkol pipeline") was completed. On 27 June 2009 the Group began filling Kenkiyak-Kumkol pipeline with technological oil in quantity of 411,915 metric tons, provided by JSC "CNPC-Aktobemunaigas" in accordance with the contract 02-2009 dated 12 February 2009. Technological oil belongs to JSC "CNPC-Aktobemunaigas". Return period of the technological oil to JSC "CNPC-Aktobemunaigas" is the termination of the Kenkiyak-Kumkol pipeline operation.

On 7 October 2009 Group launched the first starting complex of Kenkiyak-Kumkol pipeline with the capacity, in the first phase, of 10 million tons per year.

1 The Kazakhstan-China Pipeline Group and Its Operations (Continued)

On 9 December 2010 the Group has entered into the contract to design, deliver and construct NPS 11 with CPPE Kazakhstan LLP in the amount of Tenge 7,342,452 thousands VAT exclusive. The objective of NPS-11 construction is an increase of transportation capacity of previously constructed and commissioned Atasu-Alashankou pipeline from 10 million tons per year to 12 million tons per year. The expected completion date under the contract is September 2011.

On 10 December 2010 the Group completed commissioning of second stage's first phase objects of Kenkiyak-Kumkol pipeline construction.

In 2010 and 2009, the Group transported through Atasu-Alashankou pipeline 10,104 thousand tons and 7,707 thousand tons of oil respectively. In 2010 and 2009, Group transported through Kenkiyak-Kumkol pipeline 3,721 thousand tons and 427 thousand tons of oil respectively.

The Company's registered office address is: 29D Satpayev Street, Almaty, 050008, the Republic of Kazakhstan.

2 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified in connection with certain financial instruments recorded at fair value through profit or loss. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated (see Note 4 "New Accounting Pronouncements").

Functional and presentation currency. All amounts in these consolidated financial statements are presented in Kazakhstani Tenge ("Tenge"). Tenge is the Group's functional currency.

Consolidation principles. Subsidiaries are those companies and other entities (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date when control ceases.

The intra-group transactions, the balances of the corresponding accounts, as well as unrealized gains on the operations between the companies of the Group are mutually excluded. Unrealized losses are also mutually excluded, with the exception of cases when costs cannot be compensated.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current supply price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis. Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these consolidated financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2 Summary of Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense during the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. The management of the Group classifies its financial assets upon initial recognition. Financial assets of the Group include accounts receivable and deposits.

Classification of financial liabilities. Financial liabilities of the Group include financial liabilities that are carried at amortised cost. Financial liabilities on the Group's statement of financial position include borrowings (Note 11) and trade payable (Note 12).

Initial recognition of financial instruments. Financial assets and liabilities are initially recorded at fair value subject to transaction costs. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Gain or loss upon initial recognition of the borrowings, which are received from the owners and/or the owners of the Group, is reflected on the statement of changes in equity. Subsequently, the carrying amount of the loans is adjusted for amortisation of the gains/losses on origination and the amortisation is recorded as interest income/ interest expense using the effective yield method on the asset/ liability.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises construction cost or purchase price, including import duties and non-refundable taxes, and any directly attributable costs of bringing the asset to working condition for its intended use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Costs of complex regular inspections of property, plant and equipment objects having periodicity of not more than once a year amounting to not less than 10 percent of cost of property, plant and equipment object, are subject to capitalization as separate component of PPE. If the amount of costs of complex regular inspections of selected property, plant and equipment object is less than 10 percent of its cost, the amount is recognized as current expense.

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 impairment loss is recognised in profit or loss for the year. 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 value in use or fair value less costs to sell.

2 Summary of Significant Accounting Policies (Continued)

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful life in years
Buildings and constructions	12- 50
Machinery and equipment	2-22
Pipeline and other vehicles	5-30
Other	2-10

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. Intangible assets are recorded at purchased cost and amortized on a straight-line basis over their estimated useful lives of one to three years.

Cash and cash equivalents. Cash and cash equivalents include cash at bank and in hand, as well as short-term deposits with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Deposits. Deposits include cash in bank accounts with a maturity of more than three months from the reporting period date.

Inventories. Inventories are recorded at the lower of cost and net realisable value. The cost of inventories is determined using the first-in, first-out (FIFO) method. Cost includes purchase price, import duties, transport-procurement works, and commission fees paid to supply and mediator organisations, and other expenses directly attributable to inventories purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables. Receivables, with the exception of prepaid taxes and advances given to the suppliers, are accounted for at the amortized cost using effective interest rate method. Prepaid taxes and advances given to the suppliers are stated at actual costs paid.

Impairment of financial assets carried at amortised cost. Receivables impairment losses are recognised when objective evidence exists that the Group will not be able to recover the amount due in initially stated period. The amount for the provision is the difference between the carrying value of the asset and the present value of expected cash flows discounted at the original effective interest rate of the asset. The provision is recognized as part of general and administrative expenses in profit or loss. Uncollectible trade receivables are written off against the trade receivables' impairment provision. Subsequent recoveries of amounts previously written off are accounted as part of general and administrative expense on profit or loss.

The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

2 Summary of Significant Accounting Policies (Continued)

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Financial income and financial expense. Interest income/expense is stated using the effective income on assets/liabilities method.

Foreign currency transactions and translation. The Group's foreign currency monetary assets and liabilities are translated into Tenge using exchange rate of the Kazakhstani Stock Exchange (KASE) established at the reporting period date. Transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The foreign subsidiaries of the Group represent the foreign operations which form an integral part of the Group's operations. The financial statements of the foreign subsidiaries are translated as if the transactions of the foreign subsidiaries are the Group's activities.

At 31 December 2010 the official rate of exchange applied to translate balances denominated in USD, was Tenge 147.4 for 1 US dollar (31 December 2009: Tenge 148.36 for 1 US dollar). Tenge is not freely convertible in most countries outside of the Republic of Kazakhstan.

Trade and other payables. Trade payables are accrued when the counterparty performed its obligations under the contract. The Group accounts for trade payables initially at fair value. Subsequently trade payables are carried at amortized cost using the effective interest method.

Employee benefits. Wages, salaries, paid annual leave and sick leave, bonuses, and other benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

The Group does not incur any expenses in relation to pensions for its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Group withholds pension contributions from employee salaries and transfers them into state or private pension funds upon the employee decision. Upon retirement of employees, all pension payments are administered by such pension funds.

Income taxes. Income taxes have been provided for in the consolidated financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss unless it relates to transactions that are recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxes, other than on income, are recorded within operating expenses. Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for consolidated financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Value-added taxes ("VAT"). VAT related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT is reclaimable against output VAT upon the receipt of a tax invoice from a supplier. The tax legislation permits the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchase transactions, which has not been settled at the balance sheet date, is recognized in the statement of financial position on a net basis.

2 Summary of Significant Accounting Policies (Continued)

Provisions for liabilities and charges. Provisions for liabilities and charges are recognized 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue recognition. Revenue is recognized when there is a likelihood that the Group obtains the transaction related economic benefits, and when the amount of revenue can be reliably estimated. Revenue from oil transportation services is recognized upon delivery of oil through the pipelines. Revenue is shown net of VAT and measured at the fair value of the consideration received or receivable. Revenue is based on the application of authorized tariffs by the Agency for transportation of oil through the pipelines.

3 Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded on the balance sheet. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances (Note 16).

Asset retirement obligation. Current Kazakhstani legislation in respect to environmental obligations prescribes the companies operating in extracting industries to dismantle certain assets and reclaim a land. However, management of the Group believes that environmental law as applicable to the Group's operations does not require dismantling of pipelines and land reclamation upon retirement. As a result, no asset retirement obligation as of 31 December 2010 and 2009 were recognised in these consolidated financial statements.

Tax legislation. Kazakh tax, currency and customs legislation is subject to varying interpretations (Note 17).

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses.

Debt versus equity classification. Management concluded that the participants' interests in the Company should be classified as equity rather than as a financial liability. Under the Kazakhstani legislation and the Group's Charter, the Company is obliged to redeem the participant's equity interest in cash or in non-financial assets if a disposal of a participant's interest in the Company is not possible. The Company's Charter imposes only a temporary restriction on the possibility to dispose of a participant's interest during the period of construction of the Group's oil pipeline. The construction of Kenkiyak-Kumkol pipeline has been yet continued in 2010 and as the restriction on the disposal is only temporary, management believes that the participants' interests in the Group are equity instruments. Management believes that only permanent restrictions on disposal create redemption obligation which is not the Company's situation.

3 Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Useful lives and residual values of property, plant and equipment. Management estimates economic useful lives of property, plant and equipment as the period over which the Group expects to consume economic benefits from the asset. Also management estimates that the residual value of the asset is nil as the Group expects to use the asset until the end of its physical life. The useful lives and residual values of the assets are reviewed at least at each financial year-end.

Effective interest rate calculation for the loan from Industrial and Commercial Bank of China and ING Bank N.V. The Group used effective interest rate methods for calculation of amortised cost for the loan from Industrial and Commercial Bank of China and ING Bank N.V., based on its best estimated future payments of principal and interest amounts in accordance with loan agreement. Should the payment schedule change in subsequent periods, carrying value of the loan would change significantly. The current calculations at 2010 and 2009 year-end are believed to be reasonable under the circumstances.

4 New Accounting Pronouncements

(i) New standards, amendments and interpretations, that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but not relevant the Group's operations.

- IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable.
- IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.
- Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.
- Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.
- IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes.
- Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

4 New Accounting Pronouncements (Continued)

- IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

(ii) Standards, amendments and interpretations not effective yet but relevant to the Group's operations

- The amendment to IAS 1, Presentation of Financial Statements, which was issued in May 2010 as part of the Annual Improvements to International Financial Reporting Standards. The amendment clarifies the requirements for the presentation and content of the statement of changes in equity. A reconciliation between the carrying amount at the beginning and the end of the period for each component of equity must be presented in the statement of changes in equity, but its content is simplified by allowing an analysis of other comprehensive income by item for each component of equity to be presented in the notes to financial statements. Revised IAS 1 will not have significant impact on consolidated financial statements.
- IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:
 - a) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
 - b) An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
 - c) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
 - d) Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

Currently the Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

4 New Accounting Pronouncements (Continued)

- Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Amendments to IAS 24 will not have significant impact on consolidated financial statements.
- Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. Currently Group is considering the consequences of these improvements on the Group.

(iv) Standards, amendments and interpretations not effective yet and not relevant to the Group's operations

- Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt.
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.
- Amendment to IFRS 12, Income Taxes, (effective for annual periods beginning on or after 1 January 2012, subject to EC approval). This amendment introduces exemption to the existing principle to assess deferred income tax assets or liabilities arising on investment property stated at fair value.
- Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 July 2011 года или после этой даты, subject to EC approval). The amendment provides with the guidance how entities should continue preparation of financial statements in accordance with IFRS after the period, in which the entity failed to comply with IFRS, since its functional currency was subject to hyperinflation.

4 New Accounting Pronouncements (Continued)

- Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7.
- Disclosures - Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group's consolidated financial statements.

5 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Group's immediate parents and ultimate controlling parties are disclosed in Note 1.

For the purposes of these consolidated financial statements, related parties of the Group include its owners and their affiliated companies.

At 31 December 2010, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani tenge</i>	Parent companies	Associates	Total
Cash and cash equivalents – bank deposits (contractual interest rates: 0.5%-8.2%)	-	4,267,169	4,267,169
Advances received	-	4,836,604	4,836,604
Trade and other payables	697,822	3,044,051	3,741,873

The income and expense items with related parties for the year ended 31 December 2010 were as follows:

<i>In thousands of Kazakhstani tenge</i>	Parent companies	Associates	Total
Revenue	-	48,227,482	48,227,482
Repairs and maintenance services	3,074,228	250,189	3,324,417
Security services	-	760,912	760,912
Other services	6,501	436,378	442,879

5 Balances and Transactions with Related Parties (Continued)

At 31 December 2009, the outstanding balances with related parties were as follows:

<i>In thousands of Kazakhstani tenge</i>	Parent companies	Associates	Total
Gross amount of receivables	--	44,628	44,628
Cash and cash equivalents – bank deposits (contractual interest rates: (1%-6.5%))	-	28,240,175	28,240,175
Advances received	17,083	3,424,604	3,441,687
Trade and other payables	456,702	4,060,585	4,517,287

The income and expense items with related parties for the year ended 31 December 2009 were as follows:

<i>In thousands of Kazakhstani tenge</i>	Parent companies	Associates	Total
Revenue	3,408,552	14,026,367	17,434,919
Repairs and maintenance services	2,035,827	-	2,035,827
Security services	-	307,549	307,549
Other services	-	56,311	56,311

Terms of related parties transactions. Services are rendered to related parties on the same terms as to the third companies. Outstanding balances as at the end of the year are not secured, and settlements are made in cash. Purchases from the related parties are made on the terms determined in the open tender.

Directors' compensation. Compensation paid to 6 directors for their services in full time executive management positions, is made up of a contractual salary and bonuses. Total directors' compensation included in general and administrative expenses in the consolidated statement of comprehensive income for 2010 and 2009 is Tenge 133,331 thousand and Tenge 132,697 thousand, respectively.

6 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

<i>In thousands of Kazakhstani tenge</i>	Free- hold land	Buildings	Plant and equipment	Plant and other vehicles	Other	Construc- tion in progress	Total
Cost at 1 January 2009	-	10,154,110	21,019,553	59,762,227	356,876	78,705,906	169,998,672
Accumulated depreciation	-	(438,888)	(2,514,870)	(5,008,329)	(97,300)	-	(8,059,387)
Carrying amount at 1 January 2009		9,715,222	18,504,683	54,753,898	259,576	78,705,906	161,939,285
Additions	2,184	292	102,238	698,329	68,414	25,353,320	26,224,777
Capitalised borrowing costs	-	-	-	-	-	4,939,094	4,939,094
Reclassification to a different category	-	7,202,047	11,717,304	83,299,021	51,993	(102,270,365)	-
Reclassification to non-current assets	-	-	-	(64,776)	-	-	(64,776)
Disposals	-	-	(675)	(43,088)	(13,279)	(3,735)	(60,777)
Disposals of depreciation	-	-	675	43,088	13,278	-	57,041
Depreciation charge	-	(476,147)	(1,842,658)	(2,677,201)	(80,232)	-	(5,076,238)
Carrying amount at 31 December 2009	2,184	16,441,414	28,481,567	136,009,271	299,751	6,724,220	187,958,407
Cost at 31 December 2009	2,184	17,356,449	32,838,420	143,651,713	464,004	6,724,220	201,036,990
Accumulated depreciation	-	(915,035)	(4,356,853)	(7,642,442)	(164,253)	-	(13,078,583)
Carrying amount at 31 December 2009	2,184	16,441,414	28,481,567	136,009,271	299,751	6,724,220	187,958,407
Additions	-	-	41,621	503,421	642	6,206,102	6,751,786
Capitalised borrowing costs	-	-	-	-	-	-	-
Reclassification to a different category	-	798,622	11,344,834	228,771	1,243	(12,373,470)	-
Reclassification to non-current assets	-	-	-	-	-	(82)	(82)
Disposals	-	-	-	(714)	-	-	(714)
Disposals of depreciation	-	-	-	-	-	-	-
Depreciation charge	-	(685,802)	(2,657,566)	(4,972,350)	(73,175)	-	(8,388,893)
Carrying amount at 31 December 2010	2,184	16,554,234	37,210,456	131,768,399	228,461	556,770	186,320,504
Cost at 31 December 2010	2,184	18,155,071	44,224,875	144,383,191	465,889	556,770	207,787,980
Accumulated depreciation	-	(1,600,837)	(7,014,419)	(12,614,792)	(237,428)	-	(21,467,476)
Carrying amount at 31 December 2010	2,184	16,554,234	37,210,456	131,768,399	228,461	556,770	186,320,504

On 29 June 2010 the following equipment was launched into operation under the EPC 1A contract: Kenkiyak oil commercial metering point for the amount of Tenge 725,834 thousand; location line roads for the amount of Tenge 1,765,007 thousand; pipe temporary storage warehouse – Tenge 71,775 thousand; replacement of the 1st and 2nd Bukhara-Ural MG pipelines for the amount of Tenge 135,358 thousand, as well as additional equipment for BL-10kV high-voltage line for the amount of Tenge 6,575 thousand.

Within 2010 the Group purchased the following property, plant and equipment: movable pumping plant PNU-2 on the basis of KAMAZ 43118, Kung AiT on the basis of KAMAZ 43118-1016-15, APT-22 auto-hydraulic ram on the basis of KAMAZ 4326, auto-crane KS 3577-3K (equipped with fly) under contract EPC 1A for the total amount of Tenge 329,664 thousand.

On 18 November 2010 under the contract EPC 1B for the second launching complex of Kenkiyak-Kumkol pipeline the following facilities were commissioned: location lines roads at 484 - 793 km of Kenkiyak-Kumkol site with the length of 309 km located in Kyzylorda oblast for the amount of Tenge 4,540,795 thousand.

On 10 December 2010 the Group commissioned objects of the first phase of second stage of construction of Kenkiyak-Kumkol pipeline under the EPC 2 communication system contract (data transmission network, video conferencing, video surveillance, perimeter-security alarm system) and control monitoring system for the total amount of Tenge 5,020,945 thousand.

7 Other Non-Current Assets

Other non-current assets mainly consist of VAT on purchases.

Other non-current assets mainly consist of VAT Input. As at 31 December 2010 the Group recognized VAT refund in the amount of about Tenge 8.4 billion. In April 2010 the Financial Police initiated the criminal case against the Company alleging that oil transportation during 2006-2010 is illegitimate, since the Company does not have any state license (see Note 17). However, the Group's management did not agree with the Financial Police opinion, and considers its position as sustainable, and accordingly, did not recognize any VAT impairment provision in these consolidated financial statements. However, since VAT refund is postponed for the indefinite period, such VAT was classified within non-current assets at the reporting date.

8 Inventories

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Spare parts	150,902	144,881
Materials	87,843	30,164
Fuel	1,711	14
Total inventories	240,456	175,059

9 Other Current Assets

<i>In thousands of Kazakhstani tenge</i>	2010	2009
VAT receivable	262,519	4,274,380
Advances paid	20,405	17,244
Prepaid taxes	20,063	923
Term deposits with maturity within 12 months	-	17,662,780
Deferred expenses	134,480	1,832
Other	32,390	55,000
Total other current assets	469,857	22,012,159

On 14 December 2010 the deposit agreements for the amount of Tenge 7 billion and USD 135,588 thousand have been terminated ahead of time with the aim to redeem bonds issued on 22 December 2004 in the amount of USD 300 million (Note 11).

As at 31 December 2010 VAT receivable includes the amount of Tenge 262,519 for goods and services supplied by Kazakhstani vendors and nonresidents within 2010.

At 1 July 2010 Group had entered into two agreements on property and civil liability insurance for harm of property and health of third parties and environment with JSC "Subsidiary insurance company of Halyk bank of Kazakhstan "Halyk-Kazakhinstrakh" on the amount of Tenge 114,679 thousands and 114,654 thousands Tenge. These agreements will expire at 30 June 2011. Consequently, the amount of deferred expenses for 2010 significantly exceeds the amount of deferred expenses in 2009.

10 Cash and Cash Equivalents

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Cash at bank – Tenge	8,452,848	4,943,922
Cash at bank – USD	1,964,085	3,422,226
Other cash at bank, in transit and on hand	400	1,761
Cash on term deposits with maturities of less than three months	-	6,055,720
Total cash and cash equivalents	10,417,333	14,423,629

11 Borrowings

<i>In thousands of Kazakhstani tenge</i>	2010	2009
<i>Long-term borrowings</i>		
Industrial and Commercial Bank of China Limited and ING Bank N.V.	154,914,054	146,349,662
Bonds issued in 2004	-	46,328,589
Bonds issued in 2005	46,978,758	47,396,083
Total long-term borrowings	201,892,812	240,074,334

On 22 December 2004 the Group issued notes for the amount of USD 300 million for the period of 15 years. On 22 September 2005 the Group again issued notes for the amount of USD 300 million for the period of 15 years. Notes were issued at 7% for the first 4 years and 8.8% rate for the remaining period up to the full repayment. Notes were issued through the subsidiary company, KCP Finance B.V., against the guarantee of CNPC. Change in interest rate from 7% to 8.8% is caused by expiration of the guarantee issued by CNPC. The interest related to the notes is paid semi-annually. The Group incurred total transaction costs of Tenge 429,787 thousand (equivalent to USD 3.21 million) and Tenge 433,615 thousand (equivalent to USD 3.35 million), respectively, for 2005 and 2004 notes issue and circulation. These costs are amortized till maturity in full, i.e. within 15 years.

On 21 December 2010 the Group repaid ahead of time liabilities on bonds issued 22 December 2004 in the amount of USD 300 million, and as a result income from the loan restructuring in the amount of Tenge 1,513,760 thousand has been recognized. This income decreased the amount of finance costs accrued.

On 12 August 2008 the Group signed the loan agreement with the Industrial and Commercial Bank of China Limited and ING Bank N.V. The credit line amount is USD 1,180 million for 10 years with the possibility for extension up to 5 years. The loan is intended for financing of the construction of the second stage of Kazakhstan-China Pipeline, Kenkiyak-Kumkol part. Loan is attracted in tranches with cash calls.

On 31 December 2009 the Group received four tranches. The first tranche was obtained on 2 September 2008 in the amount of USD 400 million, the second tranche - on 6 October 2008 in the amount of USD 200 million, the third tranche - on 15 December 2008 in the amount of USD 200 million and on 12 August 2009 Group received fourth tranche for amount of USD 150 million. The Group incurred the loan transaction costs in the amount of Tenge 2,399,512 thousand (equivalent of USD 19.87 million).

Interest rate for each interest period is the annual rate which includes 6-month-LIBOR and the bank margin. The interest capitalization period is 36 months from the loan agreement signing date. The preference period is 42 months within which the repayment of principal amount is not made. After the expiry of the guarantee issued by CNPC the lending bank margin will increase from 2% to 4% after 54 months from the loan agreement signing date.

In 2009, the Group unified payment schedules on all tranches, according to a new single repayment schedule interest payments will be made on 2 September and on 2 March on all tranches. This change led to a decrease of carrying value of the loan for Tenge 819,716 thousand.

As of 31 December 2010 and 2009, carrying value of the loans approximates their fair value.

12 Trade Payables

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Denominated in Tenge	2,302,327	2,314,753
Denominated in foreign currency	52,342	313,538
Total trade payables	2,354,669	2,628,291

13 Other Payables and Accrued Liabilities

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Corporate income tax payable	1,093,352	314,719
Accrued liabilities	683,011	1,811,201
Other payables	247,069	250,515
Taxes other than income tax	47,055	132,950
Total other payables and accrued liabilities	2,070,487	2,509,385

As of 31 December 2010 the amount of accrued liabilities have decreased due to completion of the first phase of the second stage of Kenkiyak-Kumkol pipeline construction.

The amount of corporate income tax for nonresident payable as at 31 December 2010 is explained by the increase of amount of interest on loans accrued but not paid.

14 Cost of Sales

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Depreciation of property, plant and equipment	8,268,654	4,986,984
Operational and technical maintenance	3,324,042	2,272,509
Taxes other than income tax	2,417,508	1,328,703
Security services	766,377	333,475
Pipeline diagnosis	558,950	-
Electricity costs	171,190	78,956
Communication system maintenance	171,349	4,585
Inspection services	90,577	78,269
Salaries and wages	87,433	44,431
Other	367,473	91,589
Total costs of sales	16,223,553	9,219,501

15 General and Administrative Expenses

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Salaries and wages	964,231	897,212
Withholding tax	817,741	256,370
Rent expenses	153,983	162,918
Depreciation of property, plant and equipment	110,341	75,790
Business trip expenses	99,986	81,095
Social tax	83,648	79,200
Consulting services	55,218	23,080
Taxes other than income tax	25,324	15,570
Other	169,810	136,579
Total general and administrative expenses	2,480,282	1,727,814

16 Income Taxes

Income tax expense comprises the following:

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Current income tax expense	-	-
Deferred income tax expense	1,324,730	587,597
Income tax expense	1,324,730	587,597

Reconciliation between the expected and the actual taxation charge is provided below:

<i>In thousands of Kazakhstani tenge</i>	2010	2009
Income/(loss) before tax	15,512,886	(36,783,856)
Theoretical tax credit at statutory changed rate (20010: 20%, 2009:20%,17.5%)	3,102,577	(7,356,771)
Non-deductible portion of interest expense	2,484,574	2,257,377
Changes in estimates of property, plant and equipment carrying amounts in tax accounting	320,263	-
Non-deductible expenses	154,967	17,210
Effect from change of statutory tax rate	32,498	432,155
Adjustment of assets cost according to IAS 23	-	48,556
Unrecognized tax losses carried forward	(4,751,112)	5,206,794
Income of KCP Finance B.V.	(16,404)	(17,724)
Other gain	(2,633)	-
Income tax expense	1,324,730	587,597

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate applicable to period of assets realisation or liabilities settlement. Due to changes in the tax legislation of the Republic of Kazakhstan effective from 1 January 2011, the income tax rate is fixed at 20%, with no changes in the subsequent years (2009: 20%,17.5%).

16 Income Taxes (Continued)

	1 January 2010	Charged to profit or loss	31 December 2010
Tax effect of deductible temporary differences			
Tax losses carried forward	5,206,794	(3,116,424)	2,090,370
Bonds	628,439	(205,653)	422,786
Provision for unused vacation	13,990	4,038	18,028
Gross deferred tax asset	5,849,223	(3,318,039)	2,531,184
Unrecognized deferred tax asset	(5,835,233)	5,412,447	(422,786)
Deferred tax asset, net	13,990	2,094,408	2,108,398
Tax effect of taxable temporary differences			
Property, plant and equipment and intangible	(1,674,136)	(3,447,826)	(5,121,962)
Taxes payable	(24,383)	28,688	4,305
Gross deferred income tax liabilities	(1,698,519)	(3,419,138)	(5,117,657)
Total deferred income tax liabilities, net	(1,684,529)	(1,324,730)	(3,009,259)

16 Income Taxes (Continued)

	1 January 2009	Charged to profit or loss	31 December 2009
Tax effect of deductible temporary differences			
Tax losses carried forward	47,817	5,158,977	5,206,794
Bonds	-	628,439	628,439
Provision for unused vacation	9,544	4,446	13,990
Gross deferred tax asset	57,361	5,791,862	5,849,223
Unrecognized deferred tax asset	-	(5,835,233)	(5,835,233)
Deferred tax asset, net	57,361	(43,371)	13,990
Tax effect of taxable temporary differences			
Property, plant and equipment and intangible	(1,142,060)	(532,076)	(1,674,136)
Taxes payable	(12,233)	(12,150)	(24,383)
Gross deferred income tax liabilities	(1,154,293)	(544,226)	(1,698,519)
Total deferred income tax liabilities, net	(1,096,932)	(587,597)	(1,684,529)

17 Contingencies, Commitments and Operating Risks

Political and economic conditions in Kazakhstan. Whilst there have been improvements in the economic situation in the Republic of Kazakhstan in recent years, its economy continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country and a low level of liquidity of the securities markets.

Additionally, the oil and gas sector in Kazakhstan is particularly impacted by political, legal, financial and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond the Group's control.

The financial condition and future operations of the Group may be adversely affected by continued economic difficulties inherent to an emerging market as well because of global economic crisis impact. Management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these consolidated financial statements.

Taxation. Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for five years.

17 Contingencies, Commitments and Operating Risks (Continued)

The Kazakhstan Government introduced significant amendments to the existing Tax Code effective from 1 January 2009 ("New Tax Code"). The following key changes were made: reduction of the corporate income tax rate from 30% to 20% in the financial year 2009, 17.5% in 2010, and 15% in 2011 and afterwards; reduction of the VAT to 12%; and other changes. However, Law of the Republic of Kazakhstan dated 16 November 2009 has made amendments of suspension until 1 January 2014 to article 147, item 1 of Tax Code in respect of corporate income tax rate, established that during suspension period the following corporate income tax rates are effective: in 2009, 2010, 2011 and 2012 – 20%; in 2013 -17.5%; in 2014 and subsequent periods – 15%.

On 26 November 2010 President of the Republic of Kazakhstan signed the Law, *Concerning Incorporation of Amendments of and Additions to Certain legislative Acts of the RK on Taxations Issues*, according to which the corporate income tax was fixed at 20%, with no changes in subsequent years.

Changes in corporate income tax rates will have an impact on the amounts of recognized deferred income tax liabilities (Note 16).

The Group's Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained. Accordingly, at 31 December 2010 no provision for potential tax liabilities had been recorded (2009: no provision).

Capital expenditure commitments. At 31 December 2010 the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling to Tenge 2,414,192 thousand (2009: Tenge 6,189,617 thousand).

Oil for oil pipelines filling. The Group obtained technological oil for the oil pipelines filling required for its operation (Note 1). The Group is fully responsible for safety of this oil and will return it to PetroChina expiration of rent contract. The term of return of technological oil to CNPC Aktobemunaygaz is decommission of pipelines.

Environmental liabilities. Certain activities in the oil and gas industry may create environmental problems. Environmental regulations are currently in a state of transition in the Republic of Kazakhstan and the Group is assessing its obligations related thereto.

Management believes that under existing legislation there are no significant liabilities that are in addition to the amounts, which have already been accrued, in the consolidated financial statements, which will have a materially adverse effect on the operating results or financial position of the Group.

Block Company claim. During 2010 CJSC Construction and Assembling Firm Block has filed the claim against the Company under the contract KSSZ/EPC -2I for the principal amount of Tenge 413 million plus the out-of-pocket expenses of Tenge 93 million. However, the Company's management does not agree with the court writ dated 9 February 2011, and intends to appeal this court writ at the International Arbitrage Court. At the reporting date, the Group assessed the risk as possible, and therefore, did not make any provisions for the above amounts in the consolidated financial statements.

Inspection of Financial Police. On 2 April 2010 the Economic and Corruption Crimes Fighting Agency of the Republic of Kazakhstan ("Financial Police") has initiated a criminal case on the Company's provision of the oil transportation services during 2006 – 2010 without the state license on the main pipelines operation, which in accordance with the Law of the Republic of Kazakhstan dated April 17, 1995 № 2200 *Concerning Licensing* ("Licensing Law") is required for the main gas and oil pipelines engineering and operation. For this reason, the Financial Police insists on the recognition of revenue from oil transportation for the above mentioned period in the amount of about Tenge 59.5 billion as illegitimate. However, the Company's management does not agree with the opinion of the Financial Police, as the operation of oil pipelines owned by the Company has been transferred to KazTransOil JSC which has the appropriate operation license, and provision of the oil transportation services does not fall under licensing requirement, since it is not included into the list of licensed activities under the *Licensing Law*. As at the reporting date, the criminal case was suspended, however, the Group is sure of its position, and assessed this risk as possible based on in-house legal advice, and did not accrue any provisions against the Financial Police claims in the consolidated financial statements.

18 Financial Risk Management

Financial risk factors. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. Maximum exposure to credit risk is limited by these financial assets.

For banks and financial institutions, only independently rated parties with a stable financial position and support from the State, as a consequence of the financial crisis, the Group could not rely on the ratings received by banks from independent agencies.

The table below shows the rating, deposits that have original maturities of less than three months and balances with major banks at 31 December 2010 and 2009:

<i>In thousands of Kazakhstani tenge</i>	Rating agency	Rating	2010	2009
Industrial and Commercial Bank of China (China)	Moody`s	D+	5,696,752	3,647,318
Halyk Bank of Kazakhstan (Kazakhstan)	Moody`s	D-	4,264,342	7,351,920
Deutsche Bank (Netherlands)	Moody`s	C+	454,248	134,225
Bank of China (China)	Moody`s	D	1,130	62,377
Kazkommertsbank (Kazakhstan)	Moody`s	E+	307	3,225,475
Bank of China (China)	Moody`s	D	107	528
Citibank (Kazakhstan)	Moody`s	C-	47	1,408

18 Financial Risk Management (Continued)

The difference in cash and cash equivalents as disclosed on the face of statement of financial position relates to cash in transit and cash on hand (Note 10).

The table below shows the rating and balances with the bank where deposits that have original maturities of more than three months at 31 December 2010 and 2009:

<i>In thousands of Kazakhstani tenge</i>	Rating agency	Rating	2010	2009
Halyk Bank of Kazakhstan	Moody`s	D-	2,520	16,604,880
Kazkommertsbank	Moody`s	E+	-	1,057,900

Foreign exchange risk. The Group attracts foreign currency denominated borrowings and is thus exposed to foreign exchange risk. Foreign currency denominated liabilities (Notes 11, 12) give rise to foreign exchange exposure. Due to undeveloped market of financial instruments in Kazakhstan, the management does not hedge the Groups foreign exchange risk. At 31 December 2010, if the US Dollars had weakened/strengthened by 10 percent against Tenge with all other variables held constant, after-tax loss for the year would have been Tenge 24,117,831 thousand higher/lower (2009: Tenge 45,433,308 thousand higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated trade payables and borrowings. Since the Group does not hold any financial instruments re-valued through equity, the effect of change of exchange rate on equity would be the same as on post-tax profit.

Interest rate risk. Risk of change of interest rates of the Group arises from of long-term loans and short-term bank deposits. Loans/deposits issued at fixed rates expose the Group risk impact of changes in interest rates on the fair value.

For the loans with floating interest rate Group is exposed to the potential risk in the market of the LIBOR rate. In accordance with accounting policy Group capitalizes interest expenses to the construction in progress, change in interest rate will not affect the change in capitalized amount of interest expenses related to construction in progress, as this qualifying asset has been put into operation in 2009. As at 31 December 2009, if the LIBOR rate for the US dollars denominated loans with floating interest rate increased/decreased for one percent, other terms being equal, the balance of interest payable on that loan would had been changed for Tenge 454,918 thousand or USD 3,086 thousand (2009: 525,434 thousand Tenge or 3,542 thousand USD).

Liquidity risk. Surplus of cash held by the Group required for working capital management are transferred to the treasury department. The treasury department invests money surplus to interest-bearing current bank accounts, choosing the instruments with relevant maturities for providing enough liquidity. This policy allowed the Group in 2010 to redeem bonds amounting to 300 million USD issued on 22 December 2004 ahead of the schedule (see Note 11). At the reporting date the Group had cash on current accounts amounting to 10,417,333 thousands Tenge (2009:32,086,409 thousand Tenge).

The Groups objective is to maintain the balance between the continuous financing and flexibility using the bank deposits.

The table below analyses the Group's financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

18 Financial Risk Management (Continued)

<i>In thousand of Kazakhstani tenge</i>	Less than year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2010					
Borrowings	9,628,016	28,610,250	92,441,481	157,157,934	287,837,681
Trade payables and payables to related parties	10,933,145	-	-	-	-
At 31 December 2009					
Borrowings	12,320,608	14,002,438	99,928,424	280,938,041	407,189,511
Trade payables and payables to related parties	10,587,265	-	-	-	-

Capital risk management. The Groups objectives when managing capital are to safeguard the Groups ability to continue as a going concern in order to provide returns for owners and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. The Groups policy is to minimize the gearing ratio by retiring borrowings. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "trade and other payables" and "payable to related parties" as shown in the statement of financial position) less cash and cash equivalents, including short-term bank deposits. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

<i>In thousand of Kazakhstani tenge</i>	2010	2009
Total borrowings	214,896,445	253,170,984
Less: cash and cash equivalents	(10,417,333)	(32,086,409)
Net debt	204,479,112	221,084,575
Total equity	(11,570,654)	(25,755,266)
Total capital	192,908,458	195,329,309
Gearing ratio	106%	113%

Financial instruments by category. In accordance with the accounting policies for financial instruments all classes of financial assets of the Group as of both year-ends represent deposits and receivables and all classes of financial liabilities as of these dates represent financial liabilities measured at amortised cost.

In the management's view the risk profile of all trade payable balances does not vary significantly if analysed in the context of foreign suppliers/contractors versus local ones or in some other context. Classification of trade payables into foreign currency originated balances versus local currency originated balances is used for the estimation of a minimum exposure to currency risk.

19 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Estimated fair value of such instruments approximates the carrying value of the liabilities stated at amortized cost as at 31 December 2010 and 2009.